

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2005

1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Stock Exchange. The Directors consider Wai Kee, also incorporated in Bermuda as an exempted company with limited liability with its shares being listed on the Stock Exchange, to be the Company's ultimate holding company.

2. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange and the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

On 23rd April, 2004, the Company issued 5,987,000,000 ordinary shares of HK\$0.01 each and 3,000,000,000 convertible preference shares of HK\$0.01 each to Top Horizon Holdings Limited ("Top Horizon"), which is a wholly owned subsidiary of Wai Kee for a total consideration of HK\$89,870,000. The consideration was satisfied by cash of HK\$29,870,000 and by the injection of Top Tactic Holdings Limited ("Top Tactic") and its subsidiaries valued at HK\$60,000,000. Top Tactic was a then wholly-owned subsidiary of Top Horizon.

The Company obtained ownership of Top Tactic by the issuance of the voting shares as consideration which resulted in the control of the combined enterprise being transferred to Top Horizon. In accordance with the Hong Kong Financial Reporting Standard ("HKFRS") 3 "Business Combinations" issued by the HKICPA, the transactions were accounted for as a reverse acquisition. Top Tactic was treated as the acquirer and the Company and its subsidiaries immediately before the issue of the voting shares were deemed to have been acquired by Top Tactic.

A dividend of HK\$22,000,000 was declared by Top Tactic prior to completion of restructuring ("Completion") but payment will not be made unless the Directors of the Company when deciding to make the payment of such dividend, have consulted their financial advisers and are satisfied that the Group will remain solvent for at least 12 months after such payment. "Solvent" means that the Group will have a positive net asset value at the time of and after paying the dividend, and will be able to meet payments and debts in full as they fall due notwithstanding the payment of the dividend.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention except for certain financial instruments, which are measured at fair values.

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2004 except as described below.

In the current period, the Group has applied, for the first time, a number of new HKFRSs, HKASs and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA that are effective for accounting periods beginning on or after 1st January, 2005. The application of the new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and the statement of changes in equity. In particular, the presentation of minority interests and share of tax of associates or jointly controlled entities has been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented.

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3. PRINCIPAL ACCOUNTING POLICIES (continued)

Business Combinations

In the current period, the Group has applied HKFRS 3 “Business Combinations” which is effective for business combinations for which the agreement date is on or after 1st January, 2005. The principal effects of the application of HKFRS 3 to the Group are summarised below:

Goodwill

In previous periods, goodwill arising on acquisitions was capitalised and amortised over its estimated useful life. The Group has applied the relevant transitional provisions in HKFRS 3. With respect to goodwill previously capitalised on the balance sheet, the Group has discontinued amortising such goodwill from 1st January, 2005 onwards and goodwill will be tested for impairment at least annually and in the financial year in which the acquisition takes place. Goodwill arising on acquisitions after 1st January, 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current period. Comparative figures for 2004 have not been restated.

Intangible asset

Upon completion of the acquisition of a subsidiary during the period, the Group has recognised intangible assets in relation to the construction licenses. Intangible assets with indefinite useful lives are measured initially at cost less any identified impairment. Impairment of intangible asset is assessed on an annual basis.

Interests in jointly controlled entities

In previous periods, interests in jointly controlled entities were accounted for using the equity method. In the current period, the Group has applied HKAS 31 “Interests in Jointly controlled Entities” which allows entity to use either proportionate consolidation or the equity method to account for its interests in jointly controlled entities. Upon the application of HKAS 31, the Group has elected to continue applying the equity method to account for its interests in jointly controlled entities. As a result, there has been no change in accounting method in respect of the Group’s interests in jointly controlled entities.

Financial Instruments

In the current period, the Group has applied HKAS 32 “Financial Instruments: Disclosure and Presentation” and HKAS 39 “Financial Instruments: Recognition and Measurement”. HKAS 32 requires retrospective application. HKAS 39, which is effective for annual periods beginning on or after 1st January, 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 32 and HKAS 39 are summarised below:

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

3. PRINCIPAL ACCOUNTING POLICIES (continued)**Financial Instruments (continued)***Classification and measurement of financial assets and financial liabilities (continued)*

By 31st December, 2004, the Group classified and measured its debt and equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice 24 ("SSAP 24"). Under SSAP 24, investments in debt or equity securities are classified as "investment securities", "other investments" or "held-to-maturity investments" as appropriate. "Investment securities" are carried at cost less impairment losses (if any) while "other investments" are measured at fair value, with unrealised gains or losses included in the profit or loss. Held-to-maturity investments are carried at amortised cost less impairment losses (if any). From 1st January, 2005 onwards, the Group classifies and measures its debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables", or "held-to-maturity financial assets". The classification depends on the purpose for which the assets are acquired. "Financial assets at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. Available-for-sale financial assets of which the fair value cannot be measured reliably are stated at cost less impairment. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method.

On 1st January, 2005, the Group classified and measured its equity securities in accordance with the requirements of HKAS 39. Investment securities classified under non-current assets with carrying amount of HK\$28,302,000 and other investments classified under current assets with carrying amount of HK\$55,430,000 were reclassified to available-for-sale investments and held-for-trading investments (at fair value through profit or loss) on 1st January, 2005 respectively.

Financial assets and financial liabilities other than debt and equity securities

From 1st January, 2005 onwards, the Group classifies and measures its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. As mentioned above, financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "financial liabilities other than financial liabilities at fair value through profit or loss (other financial liabilities)". "Other financial liabilities" are carried at amortised cost using the effective interest method.

On 1st January, 2005, non-interest bearing amounts due to associates classified as non-current assets are measured at fair value. As a result, the carrying amount of amounts due to associates has been decreased by HK\$10,662,000 with a corresponding adjustment recognised in interests in associates. There has been no effect on the result of the Group for current and prior periods.

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FOR THE SIX MONTHS ENDED 30TH JUNE, 2005

4. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The effects of the changes in the accounting policies described above on the results for the current and prior period according to their function are as follows:

	Six months ended 30th June,	
	2005 HK\$'000	2004 HK\$'000
Decrease in amortisation of goodwill	<u>1,330</u>	<u>—</u>

The cumulative effects of the application of the new HKFRSs as at 1st January, 2005 are summarised below:

	As at 31st December, 2004 (originally stated) HK\$'000	Effect of HKAS 32 & HKAS 39 HK\$'000	As at 1st January, 2005 (restated) HK\$'000
Balance Sheet items affected			
Interests in associates	4,535	(10,662)	(6,127)
Amounts due to associates	<u>(33,159)</u>	<u>10,662</u>	<u>(22,497)</u>
Total effects on assets and liabilities	<u>(28,624)</u>	<u>—</u>	<u>(28,624)</u>

5. POTENTIAL IMPACT ARISING ON THE NEW ACCOUNTING STANDARDS NOT YET EFFECTIVE

The Group has not early applied the following new HKFRSs that have been issued but are not yet effective. The directors of the Company anticipate that the application of these new HKFRSs will have no material impact on the financial statements of the Group.

HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKFRS 6	Exploration for and Evaluation of Mineral Resources
Interpretation HKFRS-Int 4	Determining whether an Arrangement Contains a Lease
Interpretation HKFRS-Int 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds

6. TURNOVER

	Six months ended 30th June,	
	2005 HK\$'000	2004 HK\$'000
Group turnover and share of turnover of jointly controlled entities	<u>307,788</u>	384,792
Less: Share of turnover of jointly controlled entities	<u>69,277</u>	181,576
Group turnover	<u>238,511</u>	<u>203,216</u>

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7. SEGMENTAL INFORMATION

(a) Business segments

The Group is mainly engaged in civil engineering work. Accordingly no business segment analysis of financial information is provided.

(b) Geographical segments

The Group's civil construction business is principally located in Hong Kong, Taiwan and other regions in the PRC. The Group reports its segment information based on the geographical location of its customers and the segment information about these geographical markets is presented below:

	Hong Kong HK\$'000	Taiwan HK\$'000	The PRC HK\$'000	Total HK\$'000
Six months ended 30th June, 2005				
Results				
Segment turnover	<u>238,511</u>	<u>-</u>	<u>-</u>	<u>238,511</u>
Segment results	<u>(23,991)</u>	<u>(1,330)</u>	<u>(2,727)</u>	<u>(28,048)</u>
Unallocated income less expenses				(569)
Finance costs				(331)
Share of results of jointly controlled entities	39,643	8,983	(916)	47,710
Share of results of associates	2,229	-	-	2,229
Profit before taxation				20,991
Income tax expense				<u>(3,370)</u>
Profit for the period				<u>17,621</u>
	Hong Kong HK\$'000	Taiwan HK\$'000	The PRC HK\$'000	Total HK\$'000
Six months ended 30th June, 2004				
Results				
Segment turnover	<u>178,015</u>	<u>25,201</u>	<u>-</u>	<u>203,216</u>
Segment results	<u>(29,640)</u>	<u>761</u>	<u>(1,375)</u>	<u>(30,254)</u>
Unallocated income less expenses				(1,072)
Finance costs				(146)
Share of results of jointly controlled entities	63,081	3,317	-	66,398
Share of results of associates	498	-	-	498
Profit before taxation				35,424
Income tax expense				<u>(3,422)</u>
Profit for the period				<u>32,002</u>

There are no inter-segment sales for both periods.

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8. OTHER OPERATING INCOME

	Six months ended 30th June,	
	2005 HK\$'000	2004 HK\$'000
Other operating income includes:		
Dividend income from listed investments	951	163
Bank interest income	55	78
Gain on disposal of held-for-trading investments/other investments	<u>371</u>	<u>—</u>

9. FINANCE COSTS

	Six months ended 30th June,	
	2005 HK\$'000	2004 HK\$'000
Interest on bank borrowings wholly repayable within five years	<u>331</u>	<u>146</u>

10. PROFIT BEFORE TAXATION

	Six months ended 30th June,	
	2005 HK\$'000	2004 HK\$'000
Profit before taxation has been arrived at after charging (crediting):		
Depreciation	3,823	1,656
Less: Amount attributable to construction contracts	<u>(2,500)</u>	<u>(885)</u>
	1,323	771
Unrealised loss on revaluation of held-for-trading investments/other investments	1,824	1,161
Consultancy fee paid to an associate	11,313	—
Share of tax on results of jointly controlled entities	<u>(4,053)</u>	<u>12,485</u>

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11. INCOME TAX EXPENSE

	Six months ended 30th June,	
	2005 HK\$'000	2004 HK\$'000
Income tax for the period		
Hong Kong	4,515	413
Other jurisdictions	-	5
(Over) underprovision in prior years		
Hong Kong	(1,295)	3,043
Other jurisdictions	150	(39)
	<u>3,370</u>	<u>3,422</u>

Hong Kong Profits Tax is calculated at 17.5 per cent (six months ended 30th June, 2004: 17.5 per cent) on the estimated assessable profit for the period.

Income tax arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

12. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	Six months ended 30th June,	
	2005 HK\$'000	2004 HK\$'000
Profit for the period attributable to equity holders of the parent	16,946	28,524
Dividends on convertible and non-redeemable preference share capital	-	(50)
Earnings for the purposes of basic earnings per share	16,946	28,474
Effect of dilutive potential ordinary shares:		
Dividends on convertible and non-redeemable preference share capital	-	50
Earnings for the purposes of diluted earnings per share	<u>16,946</u>	<u>28,524</u>
	Number of shares	
	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	781,408	632,328
Effect of dilutive potential ordinary shares:		
Convertible and non-redeemable preference share capital	150,000	27,534
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>931,408</u>	<u>659,862</u>

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13. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent HK\$470,000 (six months ended 30th June, 2004: HK\$224,000) on property, plant and equipment.

14. INTANGIBLE ASSETS

The amount represents the fair value of the construction licenses (with indefinite useful lives) held by a subsidiary acquired by the Group during the period (the "acquired subsidiary") as set out in note 24. The construction licenses are granted by Hong Kong Works Bureau to the acquired subsidiary through which the acquired subsidiary is eligible to enter into the government construction contracts of all five categories of public works, namely ports works, site formation, road and drainage, water works and building with no limitation in contract sum.

15. GOODWILL

	30th June, 2005 HK\$'000	31st December, 2004 HK\$'000
COST		
At beginning of the period/year	31,975	–
Addition during the period/year	–	31,975
Elimination of amortisation accumulated prior to the adoption of HKFRS 3 (note 3)	<u>(1,421)</u>	<u>–</u>
At end of the period/year	<u>30,554</u>	<u>31,975</u>
AMORTISATION		
At beginning of the period/year	1,421	–
Provided for the period/year	–	1,421
Elimination of amortisation accumulated prior to the adoption of HKFRS 3 (note 3)	<u>(1,421)</u>	<u>–</u>
At end of the period/year	<u>–</u>	<u>1,421</u>
CARRYING AMOUNT		
At end of the period/year	<u><u>30,554</u></u>	<u><u>30,554</u></u>

In accordance with HKFRS 3, goodwill has not been amortised since 1st January, 2005 and is subject to an annual impairment test.

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16. INTERESTS IN ASSOCIATES

	30th June, 2005 HK\$'000	31st December, 2004 HK\$'000
Share of net liabilities of associates	<u>(21,504)</u>	<u>4,535</u>

The Group has contractual obligations to share the net liabilities of certain associates.

As set out in note 24, the Group acquired additional interests in an associate resulting in the associate becoming a subsidiary. The share of net assets of this associate amounting to HK\$19,199,000 was reclassified to relevant items on the condensed consolidated balance sheet on completion.

17. AVAILABLE-FOR-SALE INVESTMENTS/INVESTMENT SECURITIES

	30th June, 2005 HK\$'000	31st December, 2004 HK\$'000
Unlisted equity securities, at cost	29,102	29,102
Less: Impairment loss recognised	<u>800</u>	<u>800</u>
	<u>28,302</u>	<u>28,302</u>
Classified as:		
Investment securities	–	28,302
Available-for-sale investments	<u>28,302</u>	<u>–</u>
	<u>28,302</u>	<u>28,302</u>

Note:

The amount represents an 6.25% equity investment in the registered capital of Shanghai Environment Investment Company Limited ("SEICL"), a company established in the PRC. SEICL is an investment holding company whose investment targets are companies undertaking waste management projects in the PRC, including operating incinerators and landfill. The 6.25% equity investment in SEICL is pledged to another equity holder of SEICL to secure a loan of HK\$28,302,000 as disclosed in note 22.

During the period, the Group decided to divest its entire equity interest in SEICL and an active programme was initiated to identify potential buyers. The Group expects to divest the investment within next twelve months from the balance sheet date and accordingly, the amount is classified under current assets as "available-for-sale investments" in accordance with HKAS 39. No adjustment has been made to the carrying amount of the investment in SEICL as in the opinion of the directors the cost less any identified impairment for the investment in SEICL should not be less than its existing carrying amount.

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18. FINANCE LEASE RECEIVABLES

	Minimum lease payments		Present value of minimum lease payments	
	30th June, 2005 HK\$'000	31st December, 2004 HK\$'000	30th June, 2005 HK\$'000	31st December, 2004 HK\$'000
Amounts receivable under finance lease:				
Within one year	1,834	–	1,670	–
In the second to fifth year inclusive	1,112	–	1,036	–
	<u>2,946</u>	–	<u>2,706</u>	–
Less: Unearned finance income	240	–	–	–
	<u>2,706</u>	–	<u>2,706</u>	–
Present value of minimum lease payments receivable	<u>2,706</u>	–	<u>2,706</u>	–
Less: Current finance lease receivables recoverable within next twelve months			<u>1,670</u>	–
Non-current finance lease receivables recoverable after next twelve months			<u>1,036</u>	–

The Group has leased out certain of its plant and machinery. The average lease term is 3 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

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19. DEBTORS, DEPOSITS AND PREPAYMENTS

	30th June, 2005 HK\$'000	31st December, 2004 HK\$'000
Trade debtors analysed by age		
0 to 60 days	72,014	35,475
Over 90 days	118	–
	<u>72,132</u>	<u>35,475</u>
Retentions receivable	27,777	17,575
Other debtors, deposits and prepayments	45,027	28,536
	<u>144,936</u>	<u>81,586</u>

The Group allows an average credit period of 60 days to its trade customers. For retentions receivables in respect of construction contracts, the due dates are usually one year after the completion of the construction work.

20. HELD-FOR-TRADING INVESTMENTS/OTHER INVESTMENTS

	30th June, 2005 HK\$'000	31st December, 2004 HK\$'000
Equity securities listed in Hong Kong at market value	<u>56,059</u>	<u>55,430</u>

21. CREDITORS AND ACCRUED CHARGE

	30th June, 2005 HK\$'000	31st December, 2004 HK\$'000
Trade creditors analysed by age:		
0 to 60 days	12,008	11,899
61 to 90 days	2,572	3,094
Over 90 days	1,782	3,580
	<u>16,362</u>	<u>18,573</u>
Retentions payable	23,881	18,531
Accrued project costs	122,584	60,670
Other creditors and accrued charges	13,737	59,857
	<u>176,564</u>	<u>157,631</u>

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22. OTHER BORROWING

The amount represents the loan from an equity holder of SEICL and is secured by the Group's 6.25% equity interest in SEICL. The loan is interest free and repayable on demand.

23. BANK LOANS

	30th June, 2005 HK\$'000	31st December, 2004 HK\$'000
The maturity of the unsecured bank loans is as follows:		
Within one year	12,300	–
In the second year	6,600	6,600
In the third to fifth year inclusive	10,100	13,400
	29,000	20,000
Less: Amount due within one year shown under current liabilities	12,300	–
Amount due after one year	16,700	20,000

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24. ACQUISITION OF SUBSIDIARY

On 15th June, 2005, Profound Success Limited ("Profound"), a wholly owned subsidiary of the Company acquired an additional 49% of the issued share capital of Kier HK at a consideration of HK\$21,775,000. The acquisition has been accounted for by the acquisition method of accounting. Prior to the acquisition, Profound was interested in 49.5% of the issued share capital of Kier HK. Upon the completion of the acquisition, Kier HK became a 98.5% owned subsidiary of the Company.

Details of the net assets of Kier HK acquired by the Group were as follows:

	Kier HK's carrying amount before acquisition	Fair value adjustments	Fair value
	HK\$'000	HK\$'000	HK\$'000
Property, plant and equipment	237	–	237
Intangible assets	–	29,206	29,206
Amount due from customers for contract works	18,409	–	18,409
Debtors, deposits and prepayments	36,271	–	36,271
Amount due from a jointly controlled entity	5,258	–	5,258
Bank balances and cash	15,973	–	15,973
Deferred tax liabilities	–	(5,111)	(5,111)
Creditors and accrued charges	(24,045)	–	(24,045)
Amounts due to group companies	(22,759)	–	(22,759)
Bank loan	(9,000)	–	(9,000)
	<hr/>	<hr/>	<hr/>
Net assets	20,344	24,095	44,439
Minority interests			(666)
Reclassified from the Group's interests in associates			(19,199)
Revaluation increase on net assets shared by the Group in interests in associates			<hr/> (2,799)
Net assets acquired by the Group/ Total consideration, satisfied by cash	<hr/> <u>9,969</u>	<hr/> <u>11,806</u>	<hr/> <u>21,775</u>
Net cash outflow arising on acquisition			
Cash consideration paid			21,775
Cash and cash equivalent acquired			<hr/> (15,973)
			<hr/> <u>5,802</u>

Since the subsidiary was acquired on 15th June, 2005, it has no significant contribution to the Group's turnover, results and cash flows for the period ended 30th June, 2005.

If the acquisition had been completed on 1st January, 2005, total group turnover would have been increased by HK\$120,030,000 and no change in profit for the period. The proforma information is for illustrative purposes only and is not necessarily an indicative turnover and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1st January, 2005 nor is it intended to be a projection of future results.

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25. PLEDGE OF ASSETS

Other than disclosed in note 22, as at 30th June, 2005, bank deposits amounting to HK\$6,902,000 of the Group were pledged to secure the banking facilities granted to the Group.

As at 31st December, 2004, bank deposits amounting to HK\$19,038,000 of the Group were pledged to secure the banking facilities granted to the Group and jointly controlled entities.

26. COMMITMENT

At 30th June, 2005, the Group had committed to invest approximately HK\$9,425,000 (31st December 2004: HK\$11,826,000) into a joint venture established in the PRC. The joint venture is principally engaged in property construction in the PRC.

27. CONTINGENT LIABILITIES

	30th June, 2005 HK\$'000	31st December, 2004 HK\$'000
Guarantee given to financial institutions in respect of banking facilities granted to an associate	<u>–</u>	<u>35,000</u>
Outstanding tender/performance/retention bonds in respect of construction contracts	<u>45,740</u>	<u>23,927</u>

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28. RELATED PARTY TRANSACTIONS

	Notes	Six months ended 30th June,	
		2005 HK\$'000	2004 HK\$'000
Ultimate holding company			
Corporate guarantee provided		<u>76,038</u>	<u>222,006</u>
Immediate holding company			
Corporate guarantee fee	(a)	849	2,910
Management fee paid	(b)	<u>-</u>	<u>823</u>
Fellow subsidiaries			
Purchase of goods	(b)	<u>434</u>	<u>-</u>
Associate			
Value of construction work certified	(b)	13,582	108
Consultancy fee income	(b)	-	775
Consultancy fee paid	(b)	<u>11,313</u>	<u>-</u>
Related company			
Revenue from technical consultancy services	(b)	<u>-</u>	<u>128</u>
Compensation of key management personnel			
Short-term employee benefits		<u>5,033</u>	<u>3,969</u>

The related company is a subsidiary of one of the substantial shareholders of ultimate holding company.

Notes:

(a) As disclosed in the circular dated 4th June, 2004 issued by the ultimate holding company to the shareholders, these transactions have been continuing after the restructuring as detailed in note 2. Corporate guarantee fee was charged in accordance with respective agreements entered between the Company and the ultimate holding company.

(b) The transactions were charged at the terms determined and agreed by both parties.

In addition to above, the Group has an interest in a jointly controlled entity, Zhejiang Shenjiawan – Zhongmentong (the "JCE"). The JCE is an unincorporated jointly controlled entity principally engaged in the excavation and reclamation works and operating in the PRC, with 50% attributable interests held by a wholly owned subsidiary of the Company and the remaining attributable interests held by two wholly owned subsidiaries of Wai Kee.