

FOR THE SIX MONTHS ENDED 30 JUNE 2006

**1. GENERAL**

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Stock Exchange. Its immediate holding company is Top Horizon. 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 Listing Rules 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").

**3. PRINCIPAL ACCOUNTING POLICIES**

The condensed financial statements have been prepared under the historical cost basis 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 31 December 2005 except as described below.

In the current period, the Group has applied, for the first time, a number of new standards, amendments and interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA that are effective for accounting periods beginning on or after 1 December 2005 and 1 January 2006. The application of the new HKFRSs has had no material effect on how the results for the current and prior accounting periods are prepared and presented. Accordingly, no prior period adjustments are required.

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2006

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

The Group has not early applied the following new standards, amendments and interpretations that have been issued but are not yet effective. The Directors anticipate that the application of these standards, amendments or interpretations will have no material impact on the financial statements of the Group.

HKAS 1 (Amendment)	Capital disclosures <sup>1</sup>
HKFRS 7	Financial instruments: Disclosures <sup>1</sup>
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 “Financial Reporting in Hyperinflationary Economies” <sup>2</sup>
HK(IFRIC) – INT 8	Scope of HKFRS 2 <sup>3</sup>
HK(IFRIC) – INT 9	Reassessment of embedded derivatives <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2007.

<sup>2</sup> Effective for annual periods beginning on or after 1 March 2006.

<sup>3</sup> Effective for annual periods beginning on or after 1 May 2006.

<sup>4</sup> Effective for annual periods beginning on or after 1 June 2006.

### 5. TURNOVER

Turnover represents the revenue on construction contracts recognised during the period.

	Six months ended	
	30 June	
	2006	2005
	HK\$'000	HK\$'000
Group turnover	281,008	238,511
Share of turnover of jointly controlled entities		
Hong Kong	156,363	61,743
Taiwan	1,745	7,534
	<u>439,116</u>	<u>307,788</u>

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2006

### 6. 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, The People's Republic of China (the "PRC") and Middle East. 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	Taiwan	The PRC	Middle East	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Six months ended</b>					
<b>30 June 2006</b>					
<b>Results</b>					
Segment group turnover	<u>216,691</u>	<u>-</u>	<u>57,055</u>	<u>7,262</u>	<u>281,008</u>
Segment results	<u>(1,205)</u>	<u>(527)</u>	<u>(434)</u>	<u>(2,063)</u>	<u>(4,229)</u>
Unallocated income					
less expenses					23,658
Finance costs					(2,734)
Share of results of jointly controlled entities	11,804	209	578	-	12,591
Share of results of associates	215	-	-	-	<u>215</u>
Profit before taxation					29,501
Income tax expense					<u>(3,612)</u>
Profit for the period					<u>25,889</u>

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2006

### 6. SEGMENTAL INFORMATION (continued)

#### (b) Geographical segments (continued)

	Hong Kong	Taiwan	The PRC	Middle East	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Six months ended 30 June 2005					
Results					
Segment group turnover	<u>238,511</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>238,511</u>
Segment results	<u>(23,991)</u>	<u>(1,330)</u>	<u>(2,727)</u>	<u>—</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	—	—		<u>2,229</u>
Profit before taxation					20,991
Income tax expense					<u>(3,370)</u>
Profit for the period					<u>17,621</u>

There are no inter-segment sales for both periods.

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2006

### 7. OTHER INCOME

	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2006</b>	2005
	<b>HK\$'000</b>	HK\$'000
Other income includes:		
Increase in fair value of held-for-trading investments	<b>20,649</b>	–
Gain on disposal of property, plant and equipment	<b>8,544</b>	–
Gain on disposal of held-for-trading investments	<b>2,020</b>	371
Recovery of bad debts previously written off	<b>1,700</b>	–
Dividend income from held-for-trading investments	<b>992</b>	951
Interest on bank deposits	<b>54</b>	55
	<u><b>54</b></u>	<u>55</u>

### 8. FINANCE COSTS

	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2006</b>	2005
	<b>HK\$'000</b>	HK\$'000
Interest on:		
Bank borrowings wholly repayable within five years	<b>3,121</b>	331
Imputed interest expense on non-current interest-free amount due to an associate	<b>176</b>	–
Amount due to an associate	<b>79</b>	–
	<u><b>3,376</b></u>	<u>331</u>
Less: amount capitalised in property and plant under construction	<b>642</b>	–
	<u><b>2,734</b></u>	<u>331</u>

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2006

### 9. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2006	2005
	HK\$'000	HK\$'000
Profit before taxation has been arrived at after charging (crediting):		
Depreciation	2,625	3,823
Less: Amount attributable to construction contracts	<u>(2,445)</u>	<u>(2,500)</u>
	180	1,323
Decrease in fair value of held-for-trading investments	-	1,824
Consultancy fee paid to an associate	-	11,313
Share of tax on results of jointly controlled entities	<u>1,076</u>	<u>(4,053)</u>

### 10. INCOME TAX EXPENSE

	Six months ended 30 June	
	2006	2005
	HK\$'000	HK\$'000
Current tax for the period		
Hong Kong	3,614	4,515
(Over) underprovision in prior years		
Hong Kong	-	(1,295)
Other jurisdictions	<u>(2)</u>	<u>150</u>
	<u>3,612</u>	<u>3,370</u>

Hong Kong Profits Tax is calculated at 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.

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2006

### II. EARNINGS PER SHARE

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

	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2006</b>	2005
	<b>HK\$'000</b>	HK\$'000
Profit for the period attributable to equity holders of the parent	<b>24,805</b>	16,946
Dividends on convertible and non-redeemable preference share capital	<b>(150)</b>	–
	<hr/>	<hr/>
Earnings for the purposes of basic earnings per share	<b>24,655</b>	16,946
Effect of dilutive potential ordinary shares:		
Dividends on convertible and non-redeemable preference share capital	<b>150</b>	–
	<hr/>	<hr/>
Earnings for the purposes of diluted earnings per share	<b>24,805</b>	16,946
	<hr/> <hr/>	<hr/> <hr/>
	<b>Number of shares</b>	
	<b>'000</b>	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>781,408</b>	781,408
Effect of dilutive potential ordinary shares:		
Convertible and non-redeemable preference share capital	<b>150,000</b>	150,000
	<hr/>	<hr/>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>931,408</b>	931,408
	<hr/> <hr/>	<hr/> <hr/>

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2006

### 12. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent HK\$549,000 and HK\$13,287,000 (six months ended 30 June 2005: HK\$470,000 and nil) on property, plant and equipment and property and plant under construction respectively.

### 13. INTANGIBLE ASSETS

The amount represents the fair value of the construction licenses (with indefinite useful lives) held by the Group. The construction licenses are granted by the Environment, Transport and Works Bureau of the Hong Kong Special Administrative Region ("HKSAR") to the Group through which the Group is eligible to undertake government construction contracts of all five categories of public works, namely ports works, site formation, road and drainage, water works and buildings with no limitation in contract sum. The construction licenses basically have no legal life but are renewable every year as long as the Group is able to comply with certain provisions and requirements set out by the Environment, Transport and Works Bureau of the HKSAR throughout the relevant period.

### 14. AVAILABLE-FOR-SALE INVESTMENTS

	<b>30 June 2006 HK\$'000</b>	31 December 2005 HK\$'000
Unlisted equity securities, at cost	<b>32,118</b>	32,118
Less: Impairment loss recognised	<b>(800)</b>	(800)
	<b>31,318</b>	31,318
Classified as:		
Non-current available-for-sale investments	<b>3,016</b>	3,016
Current available-for-sale investments (Note)	<b>28,302</b>	28,302
	<b>31,318</b>	31,318



**14. AVAILABLE-FOR-SALE INVESTMENTS** (continued)

The above unlisted investments represent investment in unlisted equity securities issued by private entities incorporated in the PRC. They are measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimates is so significant that the Directors are of the opinion that their fair values cannot be measured reliably.

Note: The amount represents an 4.41% 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 4.41% 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 19.

As at 31 December 2005, 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.

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2006

### 15. FINANCE LEASE RECEIVABLES

	Minimum lease payments		Present value of minimum lease payments	
	30 June 2006 HK\$'000	31 December 2005 HK\$'000	30 June 2006 HK\$'000	31 December 2005 HK\$'000
Amounts receivable under finance lease:				
Within one year	833	834	755	714
In the second to fifth year inclusive	278	695	271	660
	<u>1,111</u>	<u>1,529</u>	<u>1,026</u>	<u>1,374</u>
Less: Unearned finance income	(85)	(155)	-	-
	<u>1,026</u>	<u>1,374</u>	<u>1,026</u>	<u>1,374</u>
Present value of minimum lease payments receivable				
Less: Current finance lease receivables recoverable within next twelve months			755	714
			<u>755</u>	<u>714</u>
Non-current finance lease receivables recoverable after next twelve months			271	660
			<u>271</u>	<u>660</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.

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2006

### 16. DEBTORS, DEPOSITS AND PREPAYMENTS

	<b>30 June 2006 HK\$'000</b>	31 December 2005 HK\$'000
Trade debtors analysed by age		
0 to 60 days	124,713	98,904
Over 90 days	18	118
	124,731	99,022
Retentions receivable	21,395	25,848
Other debtors, deposits and prepayments	59,926	39,524
	206,052	164,394

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.

### 17. HELD-FOR-TRADING INVESTMENTS

	<b>30 June 2006 HK\$'000</b>	31 December 2005 HK\$'000
Equity securities listed in Hong Kong at market value	79,845	56,196

At 30 June 2006, certain equity securities with market value of HK\$32,010,000 (31 December 2005: HK\$20,255,200) were pledged to a bank to secure general facilities granted to the Group.

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2006

### 18. CREDITORS AND ACCRUED CHARGES

	<b>30 June 2006 HK\$'000</b>	31 December 2005 HK\$'000
Trade creditors analysed by age:		
0 to 60 days	<b>36,968</b>	20,660
61 to 90 days	<b>6,636</b>	415
Over 90 days	<b>8,494</b>	6,305
	<b>52,098</b>	27,380
Retentions payable	<b>22,219</b>	22,646
Accrued project costs	<b>88,876</b>	66,545
Other creditors and accrued charges	<b>13,875</b>	35,452
	<b>177,068</b>	152,023

### 19. OTHER BORROWING

The amount represents the loan from an equity holder of SEICL and is secured by the Group's 4.41% equity interest in SEICL. The loan is interest free and repayable on demand.

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2006

### 20. BANK LOANS

	<b>30 June 2006 HK\$'000</b>	31 December 2005 HK\$'000
The maturity of the bank loans is as follows:		
Within one year	77,776	37,600
In the second year	18,200	18,200
In the third to fifth year inclusive	26,100	35,200
	<b>122,076</b>	91,000
Less: Amount due within one year shown under current liabilities	<b>77,776</b>	37,600
Amount due after one year	<b>44,300</b>	53,400
Secured	53,000	18,000
Unsecured	<b>69,076</b>	73,000
	<b>122,076</b>	91,000

During the period, the Group obtained new bank loans of HK\$47,000,000. The loans bear interest at market rates and are repayable within one year. The proceeds were used to finance the Group's civil engineering projects.

### 21. DEFERRED TAX LIABILITIES

The deferred tax liabilities recognised by the Group represent fair value of intangible assets arising from the acquisition of a subsidiary during the year ended 31 December 2005. There is no movement of balance during the current period.

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2006

### 22. OBLIGATIONS IN EXCESS OF INTERESTS IN ASSOCIATES

	<b>30 June 2006 HK\$'000</b>	31 December 2005 HK\$'000
Cost of investment in unlisted associates	4	4
Share of post-acquisition losses (Note)	<u>(21,818)</u>	<u>(22,033)</u>
	<b><u>(21,814)</u></b>	<b><u>(22,029)</u></b>

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

### 23. PLEDGE OF ASSETS

Other than disclosed in notes 17 and 19, as at 30 June 2006, bank deposits amounting to HK\$6,687,000 (31 December 2005: HK\$6,687,000) of the Group were pledged to banks for the purpose of satisfying the terms and conditions of certain construction contracts entered into by the Group.

### 24. CONTINGENT LIABILITIES

	<b>30 June 2006 HK\$'000</b>	31 December 2005 HK\$'000
Guarantee given to financial institution in respect of banking facilities granted to a jointly controlled entity	<u>32,250</u>	<u>–</u>
Outstanding tender/performance/retention bonds in respect of construction contracts	<u>40,365</u>	<u>37,803</u>

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2006

### 25. RELATED PARTY TRANSACTIONS

	Six months ended	
	30 June	
	2006	2005
	HK\$'000	HK\$'000
<b>Ultimate holding company</b>		
Corporate guarantee received	<u>64,035</u>	<u>76,038</u>
<b>Immediate holding company</b>		
Corporate guarantee fee	<u>464</u>	<u>849</u>
<b>Fellow subsidiaries</b>		
Purchase of goods	<u>-</u>	<u>434</u>
<b>Associate</b>		
Value of construction work certified	-	13,582
Consultancy fee paid	-	11,313
Interest paid	<u>79</u>	<u>-</u>
<b>Compensation of key management personnel</b>		
Short-term employee benefits	5,451	4,813
Post-employment benefits	<u>279</u>	<u>220</u>
	<u>5,730</u>	<u>5,033</u>

In addition to above, the Group has an interest in a jointly controlled entity (the "JCE") for the sea bund construction and reclamation works at Zhejiang Shenjiawan – Zhongmentong. The JCE is an unincorporated jointly controlled entity operating in the PRC, with a 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.