

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2006

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies used in the unaudited condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statement for the year ended 31 December 2005 except as described below.

In the current interim period, the Group has applied, for the first time, a number of new standards, amendments and interpretations to Hong Kong Financial Reporting Standards (“HKFRS”) issued by the HKICPA, which are either effective for accounting periods beginning on or after 1 December 2005 or 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 adjustment is required.

The Group has not early applied all the new standard, amendment or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standard, amendment or interpretations will have no material impact on the results and financial positions of the Group.

3. REVENUE AND SEGMENT INFORMATION

The Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

	For the six months ended 30 June	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$’000	HK\$’000
Turnover	27,027	21,412
Other revenue		
Interest income on bank deposits	99	1
Others	3,391	201
	3,490	202
Total revenue	30,517	21,614

Primary reporting format – business segments

	Turnover		Segment results	
	For the six months ended 30 June			
	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Construction contracts in Hong Kong	-	-	-	-
Construction contracts in the People's Republic of China ("PRC")	27,027	21,412	1,047	3,474
	<u>27,027</u>	<u>21,412</u>		
Total segment results			1,047	3,474
Unallocated costs			(4,117)	(2,772)
Other revenue			3,490	202
			<u>420</u>	<u>904</u>
Gain on disposal of a subsidiary			-	1,067
Finance costs			(265)	(186)
				<u>1,067</u>
Profit before income tax			155	1,785
Income tax			(473)	(428)
				<u>1,785</u>
(Loss)/profit for the period attributable to shareholders of the Company			<u>(318)</u>	<u>1,357</u>

Secondary reporting format – geographical segments

	Revenue		Total assets		Capital expenditure	
	For the six months ended 30 June		At 30 June	At 31 December	At 30 June	At 31 December
	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2005 (Audited) HK\$'000	2006 (Unaudited) HK\$'000	2005 (Audited) HK\$'000
Hong Kong	-	-	152,380	2,856	185	-
PRC	27,027	21,412	21,469	22,983	62	278
	<u>27,027</u>	<u>21,412</u>	<u>173,849</u>	<u>25,839</u>	<u>247</u>	<u>278</u>

4. FINANCE COSTS

	For the six months ended 30 June	
	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Interest on bank loans and overdraft	36	19
Others	229	167
	<u>265</u>	<u>186</u>

5. PROFIT BEFORE INCOME TAX

	For the six months ended 30 June	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit before income tax has been arrived at after charging (crediting) the following items:		
Depreciation	174	205
Staff cost	469	1,727
Gain on disposal of a subsidiary	-	(1,067)
Interest income	99	1
	<u>763</u>	<u>407</u>

6. INCOME TAX

	For the six months ended 30 June	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
PRC income tax	473	428
	<u>473</u>	<u>428</u>

No provision for Hong Kong profits tax is required since the Group has no assessable profit in Hong Kong for the Period. PRC income taxes are calculated at tax rate applicable in the PRC in which the subsidiaries of the Group are assessable for tax.

No recognition of the potential deferred tax assets relating to tax losses of the Group has been made as the recoverability of the potential deferred tax assets is uncertain.

7. DIVIDEND

The directors do not recommend the payment of an interim dividend for the Period. (2005: Nil)

8. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the Group's loss attributable to shareholders of the Company of HK\$318,000 (2005: profit HK\$1,357,000) and on the weighted average number of 175,676,576 (2005: 170,954,088 (restated) adjusted to reflect the share consolidation and open offer in June 2006) ordinary shares in issue during the Period.

9. INVENTORIES

	At 30 June	At 31 December
	2006	2005
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Raw materials	206	211
Construction supplies	557	196
	<u>763</u>	<u>407</u>

10. CONSTRUCTION CONTRACTS IN PROGRESS

	At 30 June 2006 (Unaudited) HK\$'000	At 31 December 2005 (Audited) HK\$'000
Costs incurred plus attributable profit less foreseeable losses	107,302	79,429
Less: Progress billings	<u>(89,576)</u>	<u>(62,071)</u>
	<u>17,726</u>	<u>17,358</u>
Amounts due from customers on construction contracts	17,736	17,373
Amounts due to customers on construction contracts	<u>(10)</u>	<u>(15)</u>
	<u>17,726</u>	<u>17,358</u>

As at 30 June 2006, retention held by customers for contract work included in prepayments, deposits and other receivables of the Group amounted to HK\$544,000 (as at 31 December 2005: HK\$1,052,000).

As at 30 June 2006, retention held by the Group for contract work included in accruals and other payables amounted to HK\$440,000 (as at 31 December 2005: HK\$589,000).

11. ACCOUNTS RECEIVABLE

The Group has a policy of allowing its trade customers with credit period normally between 30 to 60 days or terms in accordance with construction contracts. The ageing analysis is as follows:

	At 30 June 2006 (Unaudited) HK\$'000	At 31 December 2005 (Audited) HK\$'000
Less than 3 months	–	38
3 months to 6 months	–	652
Over 1 year	<u>5</u>	<u>–</u>
	<u>5</u>	<u>690</u>

12. ACCOUNTS PAYABLE

The ageing analysis is as follows:

	At 30 June 2006 (Unaudited) HK\$'000	At 31 December 2005 (Audited) HK\$'000
Less than 3 months	792	6,350
3 months to 6 months	636	600
6 months to 1 year	1,376	20
Over 1 year	<u>–</u>	<u>121</u>
	<u>2,804</u>	<u>7,091</u>

13. LONG TERM BORROWINGS

	At 30 June 2006 (Unaudited) HK\$'000	At 31 December 2005 (Audited) HK\$'000
Interest bearing borrowings		
Loan from a finance company, secured	1,201	1,229
Current portion of long term borrowings	-	(54)
Bank loan reclassified as liabilities directly associated with non-current asset classified as held for sale	<u>(1,201)</u>	<u>-</u>
Amount due for settlement after twelve months	<u>-</u>	<u>1,175</u>
The loan from a finance company is repayable as follows:		
Within one year	1,201	54
In the second year	-	61
In the third to fifth years	-	182
After five years	<u>-</u>	<u>932</u>
	<u>1,201</u>	<u>1,229</u>

The carrying amount of the interest bearing borrowings is denominated in Hong Kong dollars.

The carrying amount of the borrowings approximates its fair value. The fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

The Group's loan from a finance company is secured by the charge on the Group's leasehold land and buildings, and guarantees executed by a former executive director and the Company, and bears interest at prime rate minus 2.25% per annum.

On 29 June 2006, the Group has entered into a provisional sale and purchase agreement to sell the leasehold land and building to an independent third party.

The corresponding leasehold land and building and bank borrowings were transferred respectively to non-current asset classified as held for sale and liabilities directly associated with non-current asset classified as held for sale as at 30 June 2006. The disposal was completed on 10 August 2006 and resulting a gross gain of HK\$1.3 million.

14. OTHER LOAN

The loan is unsecured and interest-bearing at a prime rate plus 2% per annum, and the loan was granted from Mr. Tam Jin Rong, the ex-substantial shareholder of the Company.

15. **NON-CURRENT ASSET HELD FOR SALE**

The asset and liabilities related to leasehold land and building held by a subsidiary and the associated bank borrowings. The asset and liabilities have been presented as held for sale following the signing of a provisional sale and purchase agreement to sell the leasehold land and building on 29 June 2006.

	At 30 June 2006 (Unaudited) HK\$'000
Non-current asset held for sale:	
Leasehold land and building	2,174
Liabilities directly associated with non-current asset classified as held for sale:	
Bank borrowings:	
Current	60
Non-current	1,141
	<u>1,201</u>

16. **SHARE CAPITAL**
(a) **Share capital**

	Number of shares '000	Par value HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each at 1 January 2005 and 1 January 2006	40,000,000	400,000
Share Consolidation (Note(i))	<u>(36,000,000)</u>	<u>–</u>
Ordinary shares of HK\$0.10 each at 30 June 2006	<u>4,000,000</u>	<u>400,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.01 each at 1 January 2005 and 1 January 2006	854,770	8,548
Share Consolidation (Note (i))	(769,293)	–
Issue of Offer Shares (Note (ii))	<u>256,431</u>	<u>25,643</u>
Ordinary shares of HK\$0.10 each at 30 June 2006	<u>341,908</u>	<u>34,191</u>

Note:

- (i) Pursuant to a resolution passed at a special general meeting on 5 June 2006, every 10 ordinary shares of HK\$0.01 each then in issue in the capital of the Company were consolidated into one consolidated share of HK\$0.10 each ("Consolidated Share(s)")
- (ii) Pursuant to an open offer on the basis of three offer shares for every one Consolidated Share at subscription price of HK\$0.60 per offer share ("Offer Share(s)"), which was completed on 27 June 2006, 256,431,132 Offer Shares of HK\$0.10 each, ranking pari passu in all respects with the then existing Consolidated Shares of the Company were issued.

17. CONTINGENT LIABILITIES

At 30 June 2006, the Company executed a corporate guarantee amounting to HK\$1,201,000 (as at 31 December 2005: HK\$1,229,000) in favour of a finance company to secure a loan granted to its subsidiary.

18. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group's activities expose it to a variety of financial risks: interest risk, credit risk, liquidity risk and cash flow interest-rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) *Foreign exchange risk*

The Group mainly operates in the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Renminbi. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

(b) *Credit risk*

The carrying amount of the accounts receivable included in the consolidated balance sheet represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The Group performs ongoing credit evaluation of its customers' financial conditions and requires no collateral from its customers. There are no significant concentrations of credit risk for financial assets within the Group.

(c) *Interest rate risk*

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group exposure to interest-rate risk arises from its long-term borrowings. These borrowings bear interests at variable rates varied with the then prevailing market condition.

19. FINANCIAL INSTRUMENTS

Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated balance sheet approximate their respective fair values.