



Build King Holdings Limited

(Incorporated in Bermuda with limited liability)

Stock Code: 00240

INTERIM REPORT 2008

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Interim Results Highlights

The board of directors (the “Board”) of Build King Holdings Limited (the “Company”) announces the unaudited interim results of the Company and its subsidiaries (collectively referred as the “Group”) for the six months ended 30 June 2008.

| | |
|---|-----------------|
| Percentage of decrease in equity* per share** | 15% |
| Equity | HK\$152 million |
| Equity per share | HK16 cents |
| Group revenue and share of revenue of jointly controlled entities | HK\$465 million |
| Loss attributable to equity holders of the Company | HK\$29 million |
| * equity refers to equity attributable to equity holders of the Company | |
| ** including the ordinary shares and convertible preference shares | |

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2008.

BUSINESS REVIEW AND PROSPECTS

Operating Results

For the six months ended 30 June 2008, the Group recorded a turnover, including our share of jointly controlled entities, of HK\$465 million representing a decrease of 21% compared to HK\$589 million for the six months ended 30 June 2007.

The result of the Group for the period was a loss of HK\$30 million, consisting of HK\$17 million loss in construction and HK\$13 million loss from the portfolio of Hong Kong listed securities.

The low turnover is in part due to some Hong Kong projects experiencing delays for which recovery programmes have been devised to catch up in the second half of this year. Also it is due to the final accounts of certain completed projects that are yet to be settled. The Hong Kong construction market has remained very competitive and during the period there have been few significant public works projects available for tender and the Group has been unable to secure the new work budgeted. As a result of the low turnover in Hong Kong, the gross margin has been insufficient to support overhead costs.

The performance of the Group's portfolio of Hong Kong listed securities has also adversely affected by the turmoil in global financial market. During the period, the Group has disposed of shares of HK\$21 million to provide working capital. Coupled with the impact of diminution in market value, the portfolio was reduced from HK\$90 million at 31 December 2007 to HK\$62 million.

As at the date of this report, the Group has contracts on-hand of total value of HK\$4,874 million, of which about HK\$1,600 million represents outstanding work.

Hong Kong

As explained in our 2007 Annual Report, the tight market conditions in Hong Kong continue and the Group does not expect any significant work to flow through to contractors until second half of 2009. In addition, cost inflation in both materials and labour is evident and is a cause for real concern particularly for those fixed price contracts without escalation clauses. Therefore, a very cautious strategy in tendering for new projects continues to be being adopted – fixed price contracts will be avoided and where tenders are submitted, they will only be with reasonable margins and positive cashflows. In combating this difficult environment, the Group has also taken measures to further tighten cost control at project level and it is also taking steps to reduce the head office overhead costs. The results of all these measures and the cautious strategy are expected to reflect positively in next financial year.

Management Discussion and Analysis

BUSINESS REVIEW AND PROSPECTS – continued

Hong Kong – continued

During the first half of 2008, the Group secured new contracts with total value over HK\$180 million. These included a project for the construction of main sewers on Lamma Island for the Drainage Services Department of Government and a project at Fo Tan for MTRC to construct trackside noise barriers.

PRC

The operation of our sewage treatment plant in Wuxi City has progressed satisfactorily and the planned average daily throughput volume has been achieved. During the period, the volume treated has gradually increased with connections being made to more industrial customers. With technical support from Hong Kong Polytechnic University, the plant operation has been improved and operating costs controlled. The guaranteed income has been honoured in accordance with the agreement and payments made by the local government. The Group is confident that this investment will provide the Group a steady and reasonable return.

The two civil engineering projects undertaken by our joint venture company, China Railway Tenth Group Third Engineering Co., Ltd., are progressing to completion satisfactorily. The management team of the joint venture company has been strengthened and is actively searching new opportunities in China. The joint venture will in future avoid head-on competition with local contractors for traditional construction contracts. It will instead serve as a platform for the Group to develop in the environmental market by investment in projects in a build-operate-transfer and similar formats.

Middle East

The Group's development in the booming market of the UAE is promising. Margins and cashflow are better than those in Hong Kong and the Group is optimistic it will be able to report a positive result in forthcoming periods.

The on going joint venture with Arabian Construction Company is proceeding well and the joint venture is building up its order book; currently the value of contracts in hand is HK\$450 million. The jetty project in Abu Dhabi for Emirate Steel Factory was successfully completed during the period with high compliments from the client and a very reasonable margin. In late December 2007, the joint venture secured a significant contract to supply and install cooling water intakes and construct shore protection work at Fujairah Power Plant Phase II. The contract with a value of over HK\$250 million commenced during the period and is targeted to complete within sixteen months. During the period, two more projects have been secured at Fujairah Power Plant Phase II – the first for the supply and installation of offshore fuel pipelines and mooring systems and the second for a temporary equipment unloading jetty. In Abu Dhabi, the joint venture also won a small reclamation and seawall project which is due for completion before the end of this year.

BUSINESS REVIEW AND PROSPECTS – continued

Middle East – continued

Our marine plant hire business has lagged behind budget during the period and the opportunity has been taken for repair and maintenance to be carried out. The big submersible dock has now been reclassified and is fully operational. It is anticipated that during the rest of this year most of the vessels will be chartered to the joint venture to undertake the new projects.

The Group is now a recognized player in the marine civil engineering sector and has a good reputation. Enquiry levels are increasing. As a result, the Group has decided to further significantly develop its business in civil engineering and will devote more staff to this market from Hong Kong. It will also increase its marine plant fleet by sending more vessels from Hong Kong. The challenge in this market is to secure sufficient resources – both labour and staff. In developing further the primary aim of the Group will be to uphold its quality of its service and to develop its business in an orderly manner.

Taiwan

The Group has only one current project in Taiwan and this involves dredging and construction of seawalls and drainage in Kinmen County. The project has encountered some delay due the collapse of a major subcontractor and due to a lack of local resources. Steps are being taken to recover the situation and to ensure satisfactory completion.

Employees and remuneration policies

As at 30 June 2008, the Group had a total of 971 employees and total remuneration for the six months ended 30 June 2008 was HK\$113.8 million. Competitive remuneration packages are structured for each employee to commensurate with individual responsibilities, qualification, experience and performance. In addition, discretionary bonuses may be paid depending upon the financial performance of the Group as well as that of the individual.

FINANCIAL REVIEW

Liquidity and financial resources

As at 30 June 2008, the Group had liquid assets of HK\$106 million (as at 31 December 2007: HK\$111 million) comprising held-for-trading investments of HK\$62 million (as at 31 December 2007: HK\$90 million) and bank balances and cash of HK\$44 million (as at 31 December 2007: HK\$21 million).

As at 30 June 2008, the Group had a total of interest bearing borrowings of HK\$139 million (as at 31 December 2007: HK\$154 million) repayable within one year.

Management Discussion and Analysis

FINANCIAL REVIEW – continued

Liquidity and financial resources – continued

The Group's borrowings, bank balances and cash and held-for-trading investments were principally denominated in Hong Kong dollars. Hence, there is no significant exposure to foreign exchange rate fluctuations. During the period, the Group had no borrowings at fixed interest rate and had no financial instrument for hedging purpose.

Capital structure and gearing

The share capital of the Company was HK\$93 million comprising ordinary shares of HK\$82 million and convertible preference shares of HK\$11 million which are convertible into 110,000,000 ordinary shares of HK\$0.10 each.

As at 30 June 2008, the gearing ratio, representing total interest bearing borrowings as a percentage of total equity, was 87% (as at 31 December 2007: 83% (restated)).

Pledge of assets

As at 30 June 2008, bank deposits amounting to HK\$22,000 (as at 31 December 2007: HK\$2 million) of the Group were pledged to banks for securing the banking facilities granted to the Group.

Certain equity securities with market value of HK\$26 million (as at 31 December 2007: HK\$41 million) were pledged to a bank to secure general banking facilities granted to the Group.

The Group has pledged certain motor vehicles with carrying value of HK\$534,000 (as at 31 December 2007: HK\$626,000) to secure bank loans granted to the Group.

Commitment

As at 30 June 2008, the Group had no significant capital commitment (as at 31 December 2007: Nil).

Contingent liabilities

| | As at 30 June 2008 HK\$ million | As at 31 December 2007 HK\$ million |
|--|--|--|
| Outstanding tender/performance/retention bonds in respect of construction contracts | <u>126</u> | <u>110</u> |

DIRECTORS' INTERESTS

As at 30 June 2008, the interests (including short positions) of the directors (the "Directors") and chief executive of the Company (including their respective spouses, infant children, related trusts and companies controlled by them) in the Shares, convertible securities, warrants, options or derivatives in respect of securities which carried voting rights of the Company and its associated corporations (within the meaning of the Securities & Futures Ordinance ("SFO")), which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions in which any such Director or chief executive was taken or deemed to have under such provisions of the SFO) or which were required to be entered in the register kept by the Company pursuant to section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

(I) The Company

Interests in Shares

| Name of Director | Capacity/ Nature of interest | Number of Shares held | | Percentage of shareholding (%) |
|------------------------|------------------------------------|-------------------------|-------------------|--------------------------------------|
| | | Long position | Short position | |
| Zen Wei Peu, Derek | Personal | 107,581,421 (Note 1) | – | 13.10 (Note 2) |
| Cheng Chi Pang, Leslie | Personal | 1,170,000 (Note 1) | – | 0.14 (Note 2) |
| Lam Wai Hon, Patrick | Personal | 140,000 (Note 1) | – | 0.02 |

Notes:

1. Long position in the Shares (other than pursuant to equity derivatives such as share options, warrants to subscribe or convertible bonds).
2. As at 30 June 2008, the issued share capital of the Company was 821,408,494 Shares. Accordingly, the percentage has been adjusted.

Disclosure of Interests

DIRECTORS' INTERESTS – continued

(II) Associated corporations

Interests in shares

| Name of Director | Name of company | Capacity/ Nature of interest | Number of shares held | | Percentage of shareholding (%) |
|---------------------------|---|---------------------------------|-------------------------|----------------|--------------------------------|
| | | | Long position | Short position | |
| Zen Wei Peu, Derek | Wai Kee Holdings Limited ("Wai Kee") | Personal | 185,057,078 (Note 1) | – | 23.33 |
| | | Personal | 770,000 (Note 2) | – | 0.10 |
| | Wai Kee (Zens) Construction & Transportation Company Limited | Personal | 2,000,000 (Note 1) | – | 10.00 |
| | Wai Luen Stone Products Limited | Personal | 30,000 (Note 1) | – | 37.50 |
| David Howard Gem | Wai Kee | Personal | 500,000 (Note 1) | – | 0.06 |
| Cheng Chi Pang, Leslie | Wai Kee | Personal | 500,000 (Note 1) | – | 0.06 |
| | | Personal | 330,000 (Note 2) | – | 0.04 |
| Lam Wai Hon, Patrick | Wai Kee | Personal | 300,000 (Note 1) | – | 0.04 |
| | | Personal | 330,000 (Note 2) | – | 0.04 |

Notes:

1. Long position in the shares (other than pursuant to equity derivatives such as share options, warrants to subscribe or convertible bonds).
2. Long position in the underlying shares of Wai Kee pursuant to unlisted equity derivatives (including physically settled, cash settled and other equity derivatives). Share options granted to Directors are included in this category, the particulars of which are set out under the heading "SHARE OPTIONS" below.

DIRECTORS' INTERESTS – continued

Save as disclosed above, as at 30 June 2008, none of the Directors or chief executive of the Company had any interests or short positions in any equity or debt securities of the Company or any associated corporations (within the meaning of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions in which any such Director or chief executive was taken or deemed to have under such provisions of the SFO) or which were required to be entered in the register kept by the Company pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange.

SHARE OPTIONS

Associated Corporation

The share option scheme was adopted by Wai Kee at the annual general meeting held on 18 September 2002 (“Wai Kee Share Option Scheme”) to comply with Chapter 17 of the Listing Rules. As at 30 June 2008, Wai Kee has granted 1,430,000 share options under Wai Kee Share Option Scheme to three Directors, no share options of which were exercised.

A summary of the movements of the share options granted under Wai Kee Share Option Scheme to the following Directors during the period were as follows:

| Name | Date of grant | Exercisable period | Exercise price HK\$ | Number of share options | | | | Balance at 30.6.2008 |
|------------------------|---------------|----------------------------|------------------------|-------------------------|---------------------------|-----------------------------|--------------------------|----------------------|
| | | | | Balance at 1.1.2008 | Granted during the period | Exercised during the period | Lapsed during the period | |
| Zen Wei Peu, Derek | 9 July 2007 | 9 July 2008 to 8 July 2011 | 3.39 | 770,000 | - | - | - | 770,000 |
| Cheng Chi Pang, Leslie | 9 July 2007 | 9 July 2008 to 8 July 2011 | 3.39 | 330,000 | - | - | - | 330,000 |
| Lam Wai Hon, Patrick | 9 July 2007 | 9 July 2008 to 8 July 2011 | 3.39 | 330,000 | - | - | - | 330,000 |
| Total | | | | <u>1,430,000</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,430,000</u> |

Disclosure of Interests

SHARE OPTIONS – continued

Associated Corporation – continued

Save as disclosed above, none of the Directors nor any of their associates had any interests in the securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

Save as disclosed above, none of the Directors nor their spouse or children under 18 years of age were granted or had exercised any rights to subscribe for any securities of the Company or any of its associated corporations.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2008, so far as was known to the Directors or the chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under Section 336 of the SFO:

| Name of substantial Shareholder | Capacity/Nature of interest | Number of Shares held and percentage of shareholding | | | |
|---|-----------------------------|--|------------------|------------------|---|
| | | Long position | | Short position | |
| | | Number of Shares | % | Number of Shares | % |
| Top Horizon Holdings Limited ("Top Horizon") (Note 1(a)) | Personal/ Beneficiary | 566,561,270 (Notes 1 and 2) | 68.97 | – | – |
| Wai Kee (Zens) Holding Limited ("Wai Kee (Zens)") (Note 1(b)) | Personal/ Beneficiary | 5 | 0.00 | – | – |
| | Corporate | 566,561,270 (Notes 1 and 3) | 68.97 | – | – |
| Wai Kee (Note 1(c)) | Corporate | 566,561,275 (Notes 1 and 3) | 68.97 | – | – |
| Vast Earn Group Limited (Note 1(d)) | Personal/ Beneficiary | 59,883,040 (Note 1) | 7.29 (Note 4) | – | – |

Disclosure of Interests

SUBSTANTIAL SHAREHOLDERS – continued

| Name of substantial Shareholder | Capacity/Nature of interest | Number of Shares held and percentage of shareholding | | | |
|---|-----------------------------|--|------------------|------------------|---|
| | | Long position | | Short position | |
| | | Number of Shares | % | Number of Shares | % |
| NWS Service Management Limited (incorporated in the British Virgin Islands) (Note 1(e)) | Corporate | 59,883,040 (Note 1) | 7.29 (Note 4) | – | – |
| NWS Service Management Limited (incorporated in the Cayman Islands) (Note 1(f)) | Corporate | 59,883,040 (Note 1) | 7.29 (Note 4) | – | – |
| NWS Holdings Limited (Note 1(g)) | Corporate | 59,883,040 (Note 1) | 7.29 (Note 4) | – | – |
| New World Development Company Limited (Note 1(h)) | Corporate | 59,883,040 (Note 1) | 7.29 (Note 4) | – | – |
| Chow Tai Fook Enterprises Limited (Note 1(i)) | Corporate | 59,883,040 (Note 1) | 7.29 (Note 4) | – | – |
| Centennial Success Limited Limited (Note 1(j)) | Corporate | 59,883,040 (Note 1) | 7.29 (Note 4) | – | – |
| Cheng Yu Tung Family (Holdings) Limited (Note 1(k)) | Corporate | 59,883,040 (Note 1) | 7.29 (Note 4) | – | – |

Disclosure of Interests

SUBSTANTIAL SHAREHOLDERS – continued

Notes:

- I. Long position in the Shares
 - (a) Top Horizon was a direct wholly owned subsidiary of Wai Kee (Zens).
 - (b) Wai Kee (Zens) was deemed to be interested in the Shares through its interests in Top Horizon.
 - (c) Wai Kee (Zens) was a direct wholly owned subsidiary of Wai Kee. Accordingly, Wai Kee was deemed to be interested in the Shares through its interests in its wholly owned subsidiaries, namely Wai Kee (Zens) and Top Horizon.
 - (d) Vast Earn Group Limited was a wholly owned subsidiary of NWS Service Management Limited (incorporated in the British Virgin Islands).
 - (e) NWS Service Management Limited (incorporated in the British Virgin Islands) was deemed to be interested in the Shares through its interests in its wholly owned subsidiary, namely Vast Earn Group Limited.
 - (f) NWS Service Management Limited (incorporated in the Cayman Islands) was deemed to be interested in the Shares through its interests in its wholly owned subsidiary, namely NWS Service Management Limited (incorporated in the British Virgin Islands).
 - (g) NWS Holdings Limited was deemed to be interested in the Shares through its interests in its wholly owned subsidiary, namely NWS Service Management Limited (incorporated in the Cayman Islands).
 - (h) New World Development Company Limited was deemed to be interested in the Shares through its interests in its subsidiary, namely NWS Holdings Limited.
 - (i) Chow Tai Fook Enterprises Limited was deemed to be interested in the Shares through its interests in more than one-third of the issued share capital of New World Development Company Limited.
 - (j) Centennial Success Limited was deemed to be interested in the Shares through its interests in its wholly owned subsidiary, namely Chow Tai Fook Enterprises Limited.
 - (k) Cheng Yu Tung Family (Holdings) Limited was deemed to be interested in the Shares through its interests in its subsidiary, namely Centennial Success Limited.
2. The number of Shares taken to be interested or to have a long position by Top Horizon included (i) 456,561,270 Shares; (ii) derivative of 1,100,000,000 convertible and non-redeemable preference shares in the capital of the Company, which could be convertible into 110,000,000 Shares pursuant to the terms of issue of convertible and non-redeemable preference shares.

SUBSTANTIAL SHAREHOLDERS – continued

Notes: – continued

3. The number of Shares taken to be interested or to have a long position by Wai Kee (Zens) and Wai Kee included (i) 456,561,275 Shares; (ii) derivative of 1,100,000,000 convertible and non-redeemable preference shares in the capital of the Company, which could be convertible into 110,000,000 Shares pursuant to the terms of issue of convertible and non-redeemable preference shares.
4. As at 30 June 2008, the issued share capital of the Company was 821,408,494 Shares. Accordingly, the percentage has been adjusted.

Save as disclosed above, as at 30 June 2008, no other person (other than Directors or chief executives of the Company) had an interest or a short position in the Shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

DISCLOSURE PURSUANT TO RULES 13.18 AND 13.21 OF THE LISTING RULES

Loan Facility of HK\$40,000,000

The Company was granted a term loan facility of HK\$40,000,000 (the “Facility”) pursuant to a facility letter from an independent bank dated 22 July 2004 (renewed on 13 November 2007). The full sum of the Facility shall be repaid by six half-yearly instalments commencing eighteen months after the date of drawdown of the Facility.

For so long as the Facility is made available to the Company, Wai Kee and Mr. Zen Wei Peu, Derek (“Mr. Zen”), are required to undertake to maintain their joint shareholding in the Company at not less than 50% of the total issued share capital of the Company. Wai Kee is the controlling shareholder of the Company. Mr. Zen is a director of the Company. Accordingly, this disclosure is made pursuant to Rules 13.18 and 13.21 of the Listing Rules.

Loan Facility of Euro5,000,000

On 31 March 2006, the Company as the borrower entered into the Facility Agreement with Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V. (Netherlands Development Finance Company) for the amount of Euro5,000,000 (the “Facility”) to finance the acquisition and/or construction of wastewater treatment facilities in the PRC and the ongoing operation and maintenance on those facilities.

The Company made a draw-down of Euro2,000,000 on 17 July 2006 under the Facility and the remaining facility of Euro3,000,000 has lapsed upon expiry of availability period in December 2007 pursuant to the Facility Agreement.

For so long as the Facility is made available to the Company, Wai Kee is required to control and/or beneficially own (directly or indirectly) more than 50% of the total issued share capital of the Company. Accordingly, this disclosure is made pursuant to Rules 13.18 and 13.21 of the Listing Rules.

Save as disclosed above, as at 30 June 2008, the Company did not have other disclosure obligations under Rules 13.18 and 13.21 of the Listing Rules.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management, internal auditor and external auditor the accounting principles and policies adopted by the Group and the unaudited interim financial reports for the six months ended 30 June 2008.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all Directors have confirmed that they have complied with the required standards as set out in the Model Code throughout the six months ended 30 June 2008.

CORPORATE GOVERNANCE

The Company has complied with the Code on Corporate Governance Practices (the “Code”) as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2008, except for the deviation in respect of the service term under code provision A.4.1 of the Code.

Under the code provision A.4.1 of the Code, non-executive directors should be appointed for a specific term, subject to re-election.

None of the existing non-executive (including independent non-executive) Directors is appointed for a specific term. This constitutes a deviation from code provision A.4.1 of the Code. However, all Directors (executive, non-executive and independent non-executive) are subject to the retirement provisions of the Bye-laws of the Company that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. As such, the Board considers that sufficient measures have been taken to ensure that the Company’s corporate governance practices are no less exacting than those in the Code.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities for the six months ended 30 June 2008.

APPRECIATION

I would like to take this opportunity to express my hearty gratitude to our shareholders, our business partners, Directors and loyal and dedicated colleagues.

On behalf of the Board
Zen Wei Peu, Derek
Chairman

Hong Kong, 21 August 2008



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TO THE BOARD OF DIRECTORS OF BUILD KING HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 17 to 39, which comprises the condensed consolidated balance sheet of Build King Holdings Limited as of 30 June 2008 and the related condensed consolidated income statement, statement of changes in equity and cash flow statement for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

21 August 2008

Condensed Consolidated Income Statement

For the six months ended 30 June 2008

| | NOTES | Six months ended 30 June | |
|---|-------|---------------------------------|---|
| | | 2008 (Unaudited) HK\$'000 | 2007 (Unaudited & restated) HK\$'000 |
| Revenue | 4 | 350,639 | 420,331 |
| Cost of sales | | (338,679) | (404,966) |
| Gross profit | | 11,960 | 15,365 |
| Other income | 6 | 6,702 | 2,553 |
| (Decrease) increase in fair value of held-for-trading investments | | (14,850) | 45,397 |
| Administrative expenses | | (34,690) | (29,807) |
| Finance costs | 7 | (4,028) | (5,634) |
| Share of results of jointly controlled entities | | 4,558 | 6,957 |
| Share of results of associates | | 489 | – |
| (Loss) profit before tax | 8 | (29,859) | 34,831 |
| Income tax expense | 9 | (2) | (7,564) |
| (Loss) profit for the period | | <u>(29,861)</u> | <u>27,267</u> |
| Attributable to: | | | |
| Equity holders of the Company | | (28,672) | 26,619 |
| Minority interests | | (1,189) | 648 |
| | | <u>(29,861)</u> | <u>27,267</u> |
| Dividends: | | | |
| To the holders of 2% convertible preference shares | | <u>110</u> | <u>138</u> |
| (Loss) earnings per share | 10 | HK cents | HK cents |
| – Basic | | <u>(3.5)</u> | <u>3.3</u> |
| – Diluted | | <u>N/A</u> | <u>3.0</u> |

Condensed Consolidated Balance Sheet

At 30 June 2008

| | NOTES | 30 June 2008 (Unaudited) HK\$'000 | 31 December 2007 (Restated) HK\$'000 |
|--|-------|--|---|
| Non-current assets | | | |
| Property, plant and equipment | 11 | 24,198 | 10,731 |
| Intangible assets | | 32,858 | 32,858 |
| Goodwill | | 30,554 | 30,554 |
| Interests in jointly controlled entities | | 70,662 | 84,756 |
| Available-for-sale investments | 12 | – | – |
| Other financial assets | | 48,935 | 47,320 |
| | | 207,207 | 206,219 |
| Current assets | | | |
| Amounts due from customers for contract work | | 104,425 | 80,322 |
| Finance lease receivables | 13 | – | 271 |
| Debtors, deposits and prepayments | 14 | 257,998 | 270,339 |
| Amounts due from fellow subsidiaries | | 1,563 | – |
| Amounts due from associates | | 105 | 105 |
| Amounts due from jointly controlled entities | | 18,484 | 10,492 |
| Held-for-trading investments | 15 | 62,412 | 89,763 |
| Tax recoverable | | 1,239 | 2,673 |
| Pledged bank deposits | 20 | 22 | 2,058 |
| Bank balances and cash | | 44,239 | 21,191 |
| | | 490,487 | 477,214 |
| Current liabilities | | | |
| Amounts due to customers for contract work | | 54,884 | 19,889 |
| Creditors and accrued charges | 16 | 219,064 | 223,170 |
| Amount due to an intermediate holding company | | 10,191 | 5,536 |
| Amounts due to fellow subsidiaries | | – | 1,116 |
| Amount due to an associate | | 18,911 | 7,682 |
| Amounts due to jointly controlled entities | | 23,237 | 3,974 |
| Amounts due to minority shareholders | | 3,094 | 3,094 |
| Tax liabilities | | 5,554 | 12,450 |
| Ordinary share dividend payable to an intermediate holding company | | 22,000 | 22,000 |
| Preference share dividend payable to immediate holding company | | 1,158 | 1,049 |
| Loans from a director | 17 | 10,000 | – |
| Bank loans - due within one year | 18 | 125,363 | 151,608 |
| Bank overdraft, secured | | 3,002 | 2,110 |
| | | 496,458 | 453,678 |
| Net current (liabilities) assets | | (5,971) | 23,536 |
| Total assets less current liabilities | | 201,236 | 229,755 |

Condensed Consolidated Balance Sheet

At 30 June 2008

| | NOTES | 30 June 2008 (Unaudited) HK\$'000 | 31 December 2007 (Restated) HK\$'000 |
|--|-------|--|---|
| Capital and reserves | | | |
| Ordinary share capital | | 82,141 | 82,141 |
| Convertible preference share capital | | 11,000 | 11,000 |
| Reserves | | 58,416 | 84,209 |
| | | <hr/> | <hr/> |
| Equity attributable to equity holders of the Company | | 151,557 | 177,350 |
| Minority interests | | 8,475 | 9,516 |
| | | <hr/> | <hr/> |
| Total equity | | 160,032 | 186,866 |
| | | <hr/> | <hr/> |
| Non-current liabilities | | | |
| Deferred tax liabilities | 19 | 5,750 | 5,750 |
| Obligations in excess of interests in associates | 20 | 21,421 | 21,910 |
| Amount due to an associate | | 9,581 | 10,687 |
| Amount due to a jointly controlled entity | | 4,067 | 4,067 |
| Bank loans - due after one year | 18 | 385 | 475 |
| | | <hr/> | <hr/> |
| | | 41,204 | 42,889 |
| | | <hr/> | <hr/> |
| | | 201,236 | 229,755 |
| | | <hr/> <hr/> | <hr/> <hr/> |

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2008

| | Attributable to equity holders of the Company | | | | | | | | |
|---|---|---------------------------|---------------------|-----------------|---------------------------|------------------|----------|--------------------|--------------|
| | Ordinary share capital | Convertible share capital | Translation reserve | Special reserve | Asset revaluation reserve | Retained profits | Total | Minority interests | Total equity |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| At 1 January 2007 (audited) | | | | | | | | | |
| As originally stated | 78,141 | 15,000 | (936) | (63,141) | 4,290 | 119,512 | 152,866 | 9,291 | 162,157 |
| Effect of application of new interpretation | - | - | - | - | - | 2,754 | 2,754 | 121 | 2,875 |
| As restated | 78,141 | 15,000 | (936) | (63,141) | 4,290 | 122,266 | 155,620 | 9,412 | 165,032 |
| Profit for the period representing total recognised income for the period | - | - | - | - | - | 26,619 | 26,619 | 648 | 27,267 |
| Conversion of convertible preference shares | 4,000 | (4,000) | - | - | - | - | - | - | - |
| Dividends | - | - | - | - | - | (138) | (138) | - | (138) |
| At 30 June 2007 (unaudited), as restated | 82,141 | 11,000 | (936) | (63,141) | 4,290 | 148,747 | 182,101 | 10,060 | 192,161 |
| Exchange differences arising on translation of foreign operations recognised directly in equity | - | - | 7,335 | - | - | - | 7,335 | 338 | 7,673 |
| Loss for the period | - | - | - | - | - | (11,975) | (11,975) | (219) | (12,194) |
| Total recognised income and expenses for the period | - | - | 7,335 | - | - | (11,975) | (4,640) | 119 | (4,521) |
| Acquisition of additional interest in a subsidiary | - | - | - | - | - | - | - | (663) | (663) |
| Dividends | - | - | - | - | - | (111) | (111) | - | (111) |
| At 31 December 2007 (audited), as restated | 82,141 | 11,000 | 6,399 | (63,141) | 4,290 | 136,661 | 177,350 | 9,516 | 186,866 |
| Exchange differences arising on translation of foreign operations recognised directly in equity | - | - | 2,989 | - | - | - | 2,989 | 148 | 3,137 |
| Loss for the period | - | - | - | - | - | (28,672) | (28,672) | (1,189) | (29,861) |
| Total recognised income and expenses for the period | - | - | 2,989 | - | - | (28,672) | (25,683) | (1,041) | (26,724) |
| Dividends | - | - | - | - | - | (110) | (110) | - | (110) |
| At 30 June 2008 (unaudited) | 82,141 | 11,000 | 9,388 | (63,141) | 4,290 | 107,879 | 151,557 | 8,475 | 160,032 |

Note: The special reserve represents adjustment in share capital on the reverse acquisition of the Company in 2004.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2008

| | Six months ended 30 June | |
|---|---------------------------------|---|
| | 2008 (Unaudited) HK\$'000 | 2007 (Unaudited & restated) HK\$'000 |
| Net cash generated from (used in) operating activities | 8,315 | (17,647) |
| Investing activities | | |
| Distribution of profits from jointly controlled entities | 20,311 | 20,688 |
| Repayment from (advances to) jointly controlled entities | 11,271 | (42,787) |
| Proceeds from disposal of property, plant and equipment | 3,628 | 260 |
| Decrease (increase) in pledged bank deposits | 2,036 | (3,738) |
| Repayment from associates | 1,923 | 1,600 |
| Repayment of finance lease receivables | 271 | 322 |
| Interest on finance lease receivables | 7 | 25 |
| Purchase of property, plant and equipment | (16,244) | (4,779) |
| Advances to fellow subsidiaries | (1,563) | (1,442) |
| Capital contribution to a jointly controlled entity | - | (12,197) |
| Net cash generated from (used in) investing activities | 21,640 | (42,048) |
| Financing activities | | |
| Loans from a director | 10,000 | - |
| Advance from an associate | 8,200 | - |
| New bank loans raised | 8,000 | 50,035 |
| Advance from an intermediate holding company | 4,655 | 6,036 |
| Repayment of bank loans | (34,335) | (15,792) |
| Interest paid | (4,028) | (5,634) |
| Repayment to fellow subsidiaries | (1,116) | (1,763) |
| Net cash (used in) generated from financing activities | (8,624) | 32,882 |
| Net increase (decrease) in cash and cash equivalents | 21,331 | (26,813) |
| Cash and cash equivalents at beginning of the period | 19,081 | 59,365 |
| Effect of foreign exchange rate changes, net | 825 | - |
| Cash and cash equivalents at end of the period, represented by | 41,237 | 32,552 |
| Bank balances and cash | 44,239 | 37,013 |
| Bank overdraft | (3,002) | (4,461) |
| | 41,237 | 32,552 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2008

1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Its immediate holding company is Top Horizon Holdings Limited. The directors of the Company (the “Directors”) consider Wai Kee Holdings Limited (“Wai Kee”), also incorporated in Bermuda as an exempted company with limited liability and its shares being listed on the Stock Exchange, as the Company’s ultimate holding company.

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix I6 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

At 30 June 2008, the Group has net current liabilities of HK\$5,971,000. Taking into account of the financial resources available to the Group, including internally generated funds and the available banking facilities, the Directors are of the view that the Group has sufficient working capital for its present requirements for the next twelve months from the balance sheet date. Accordingly, the condensed consolidated financial statements have been prepared on a going concern basis.

3. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2007.

In the current interim period, the Group has applied, for the first time, the following new interpretations issued by the HKICPA, which are effective for the Group’s financial year beginning on 1 January 2008.

| | |
|--------------------|--|
| HK(IFRIC) – Int 11 | HKFRS 2 – Group and Treasury Share Transactions |
| HK(IFRIC) – Int 12 | Service Concession Arrangements |
| HK(IFRIC) – Int 14 | HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction |

3. PRINCIPAL ACCOUNTING POLICIES – continued

The adoption of these new interpretations, other than HK(IFRIC) – Int 12 “Services Concession Arrangements” (“HK(IFRIC) – Int 12”), had no material effect on the results or financial position of the Group for the current or prior accounting period.

Service concession arrangements

In the current period, the Group has applied HK(IFRIC) – Int 12 which is effective for annual periods beginning on or after 1 January 2008.

The Group as sewage treatment operator has access to operate the plant to provide public service on behalf of the grantor in accordance with the terms specified in the service concession arrangement contract.

HK(IFRIC) – Int 12 provides guidance on the accounting by the operator of a service concession arrangement which involved the provision of public sector services.

In prior periods, the Group’s sewage treatment plant, which includes construction costs incurred on sewage treatment plant work which entitle them the operating rights of the sewage treatment for the specified concession period, were recorded as property, plant and equipment and were stated at cost less accumulated depreciation and impairment losses. Depreciation of the sewage treatment plant was calculated to write off their cost, over their expected useful lives or the remaining concession period, whichever was shorter, commencing from the date of commencement of commercial operation of the sewage treatment on a straight-line basis.

In accordance with HK(IFRIC) – Int 12, sewage treatment plant within the scope of this interpretation is not recognised as property, plant and equipment of the operator as the contractual service arrangement does not convey the right to control the use of the public service infrastructure to the operator. If the operator provides construction and upgrade services of the plant, this interpretation requires the operator to account for its revenue and costs in accordance with HKAS 11 “Construction Contracts” for the construction and upgrade services of the plant and to account for the fair value of the consideration received and receivable for the construction and upgrade services as an intangible asset in accordance with HKAS 38 “Intangible Assets” to the extent that the operator receives a right (a licence) to charge users of the public service, which amounts are contingent on the extent that the public uses the service or a financial asset in accordance with HKAS 39 “Financial Instruments: Recognition and Measurement”. In addition, the operator accounts for the services in relation to the operation of the plant in accordance with HKAS 18 “Revenue”.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2008

3. PRINCIPAL ACCOUNTING POLICIES – continued

Service concession arrangements – continued

For the annual period beginning on 1 January 2008, the Group applied HK(IFRIC) – Int 12 retrospectively and the financial impact on application of HK(IFRIC) – Int 12 is summarised below:

Summary of the effect of the application of new interpretation

The effect of the application of HK(IFRIC) – Int 12 described above on the results for the current and prior period by line items presented according to their function are as follows:

| | Six months ended 30 June | |
|---|-------------------------------------|-------------|
| | 2008 | 2007 |
| | HK\$'000 | HK\$'000 |
| Decrease in revenue | (1,714) | (706) |
| Increase in interest income on other financial assets | 938 | 876 |
| Decrease in depreciation | 1,446 | 1,930 |
| | <hr/> | <hr/> |
| Decrease in loss/increase in profit for the period | 670 | 2,100 |
| | <hr/> <hr/> | <hr/> <hr/> |

Analysis of decrease in loss/increase in profit for the current and prior period by line items presented according to their function:

| | Six months ended 30 June | |
|--|-------------------------------------|-------------|
| | 2008 | 2007 |
| | HK\$'000 | HK\$'000 |
| Decrease in revenue | (1,714) | (706) |
| Decrease in cost of sales | 1,064 | 1,504 |
| Increase in other income | 938 | 876 |
| Decrease in administrative expenses | 382 | 426 |
| | <hr/> | <hr/> |
| Decrease in loss/increase in profit for the period | 670 | 2,100 |
| | <hr/> <hr/> | <hr/> <hr/> |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2008

3. PRINCIPAL ACCOUNTING POLICIES – continued

Summary of the effect of the application of new interpretation – continued

The cumulative effect of the application of HK(IFRIC) – Int 12 as at 31 December 2007 is summarised below:

| | As at 31 December 2007 (originally stated) HK\$'000 | Adjustments HK\$'000 | As at 31 December 2007 (restated) HK\$'000 |
|-------------------------------|--|-------------------------|--|
| Balance sheet items | | | |
| Property, plant and equipment | 50,976 | (40,245) | 10,731 |
| Other financial assets | – | 47,320 | 47,320 |
| | <hr/> | <hr/> | <hr/> |
| Total effect on assets | <u>50,976</u> | <u>7,075</u> | <u>58,051</u> |
| Retained profits | 129,875 | 6,786 | 136,661 |
| Minority interests | 9,227 | 289 | 9,516 |
| | <hr/> | <hr/> | <hr/> |
| Total effect on equity | <u>139,102</u> | <u>7,075</u> | <u>146,177</u> |

The effect of the application of HK(IFRIC) – Int 12 on the Group's equity at 1 January 2007 are summarised below:

| | As at 1 January 2007 (originally stated) HK\$'000 | Adjustments HK\$'000 | As at 1 January 2007 (restated) HK\$'000 |
|------------------------|--|-------------------------|--|
| Retained profits | 119,512 | 2,754 | 122,266 |
| Minority interests | 9,291 | 121 | 9,412 |
| | <hr/> | <hr/> | <hr/> |
| Total effect on equity | <u>128,803</u> | <u>2,875</u> | <u>131,678</u> |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2008

3. PRINCIPAL ACCOUNTING POLICIES – continued

Summary of the effect of the application of new interpretation – continued

The effect of the application of HK(IFRIC) – Int 12 on the Group's basic and diluted earnings per share for the prior period are as follows:

Impact on basic earnings per share

| | Six months ended 30 June 2007 HK cents |
|--|---|
| Before adjustments | 3.1 |
| Adjustments arising from application of HK(IFRIC) – Int 12 | 0.2 |
| | <hr/> |
| As adjusted | <u>3.3</u> |

Impact on diluted earnings per share

| | Six months ended 30 June 2007 HK cents |
|--|---|
| Before adjustments | 2.7 |
| Adjustments arising from application of HK(IFRIC) – Int 12 | 0.3 |
| | <hr/> |
| As adjusted | <u>3.0</u> |

The Group has not early adopted the following new standards or interpretations that have been issued but are not yet effective.

| | |
|--------------------------|--|
| HKAS 1 (Revised) | Presentation of Financial Statements ¹ |
| HKAS 23 (Revised) | Borrowing Costs ¹ |
| HKAS 27 (Revised) | Consolidated and Separate Financial Statements ² |
| HKAS 32 & 1 (Amendments) | Puttable Financial Instruments and Obligations Arising on Liquidation ¹ |
| HKFRS 2 (Amendment) | Vesting Conditions and Cancellations ¹ |
| HKFRS 3 (Revised) | Business Combinations ² |
| HKFRS 8 | Operating Segments ¹ |
| HK(IFRIC) – Int 13 | Customer Loyalty Programmes ³ |

¹ Effective for annual periods beginning on or after 1 January 2009

² Effective for annual periods beginning on or after 1 July 2009

³ Effective for annual periods beginning on or after 1 July 2008

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2008

3. PRINCIPAL ACCOUNTING POLICIES – continued

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The Directors anticipate that the application of the other new or revised standards or interpretation will have no material impact on the results and the financial position of the Group.

4. REVENUE

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

| | Six months ended 30 June | |
|--|-----------------------------|------------------|
| | 2008 HK\$'000 | 2007 HK\$'000 |
| Group revenue | 350,639 | 420,331 |
| Share of revenue of jointly controlled entities | | |
| Hong Kong | 84,270 | 107,792 |
| Middle East | 22,763 | – |
| Other regions in the People's Republic of China (the "PRC") | 7,004 | 61,228 |
| | <u>464,676</u> | <u>589,351</u> |

5. SEGMENTAL INFORMATION

(a) Business segments

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2008

5. SEGMENTAL INFORMATION – continued

(b) Geographical segments

The Group's civil construction business is principally located in Hong Kong, Taiwan, the PRC and the 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:

Six months ended 30 June 2008

| | Hong Kong | Taiwan | The PRC | Middle East | Total |
|--|----------------|---------------|----------------|----------------|------------------------|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Results | | | | | |
| Segment group revenue | <u>327,473</u> | <u>13,057</u> | <u>3,041</u> | <u>7,068</u> | <u>350,639</u> |
| Segment results | <u>(9,672)</u> | <u>(967)</u> | <u>(1,470)</u> | <u>(5,555)</u> | <u>(17,664)</u> |
| Unallocated corporate expenses | | | | | (45) |
| Dividends from held-for-trading investments | | | | | 1,681 |
| Decrease in fair value of held-for-trading investments | | | | | (14,850) |
| Share of results of jointly controlled entities | 4,826 | - | (2,811) | 2,543 | 4,558 |
| Share of results of associates | 489 | - | - | - | 489 |
| Finance costs | | | | | <u>(4,028)</u> |
| Loss before tax | | | | | <u>(29,859)</u> |
| Income tax expense | | | | | <u>(2)</u> |
| Loss for the period | | | | | <u><u>(29,861)</u></u> |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2008

5. SEGMENTAL INFORMATION – continued

(b) Geographical segments – continued

Six months ended 30 June 2007

| | Hong Kong | Taiwan | The PRC | Middle East | Total |
|--|-----------|----------|----------|-------------|----------|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Results | | | | | |
| Segment group revenue | 391,286 | 4,913 | 17,939 | 6,193 | 420,331 |
| Segment results | (5,415) | (512) | (1,795) | (3,920) | (11,642) |
| Unallocated corporate expenses | | | | | (1,279) |
| Dividends from held-for-trading investments | | | | | 1,032 |
| Increase in fair value of held-for-trading investments | | | | | 45,397 |
| Share of results of jointly controlled entities | 8,636 | – | (1,679) | – | 6,957 |
| Finance costs | | | | | (5,634) |
| Profit before tax | | | | | 34,831 |
| Income tax expense | | | | | (7,564) |
| Profit for the period | | | | | 27,267 |

There are no inter-segment sales for both periods.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2008

6. OTHER INCOME

| | Six months ended 30 June | |
|--|-----------------------------|-------------------|
| | 2008 HK\$'000 | 2007 HK\$'000 |
| Other income includes: | | |
| Dividends from held-for-trading investments | 1,681 | 1,032 |
| Gain on disposal of property, plant and equipment | 3,625 | 192 |
| Interest on other receivables | 275 | – |
| Interest on bank deposits | 49 | 89 |
| Interest on finance lease receivables | 7 | 25 |
| Interest on other financial assets | 938 | 875 |
| Write back of allowance for bad and doubtful debts | – | 133 |
| | <u> </u> | <u> </u> |

7. FINANCE COSTS

| | Six months ended 30 June | |
|--|-----------------------------|-------------------|
| | 2008 HK\$'000 | 2007 HK\$'000 |
| Interest on: | | |
| Bank borrowings wholly repayable within five years | 3,928 | 5,563 |
| Interest bearing amount due to an associate | 71 | 71 |
| Interest bearing loans from a director | 29 | – |
| | <u> </u> | <u> </u> |
| | <u>4,028</u> | <u>5,634</u> |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2008

8. (LOSS) PROFIT BEFORE TAX

| | Six months ended 30 June | |
|--|-----------------------------|------------------|
| | 2008 HK\$'000 | 2007 HK\$'000 |
| (Loss) profit before tax has been arrived at after charging (crediting): | | |
| Depreciation | 2,785 | 2,718 |
| Share of income tax expenses (credit) of jointly controlled entities (included in share of results of jointly controlled entities) | 11 | (1,069) |
| | <u>2,796</u> | <u>1,649</u> |

9. INCOME TAX EXPENSE

| | Six months ended 30 June | |
|--------------------------------|-----------------------------|------------------|
| | 2008 HK\$'000 | 2007 HK\$'000 |
| Current tax: | | |
| Hong Kong | - | 7,564 |
| Underprovision in prior years: | | |
| Other jurisdictions | 2 | - |
| | <u>2</u> | <u>7,564</u> |

No provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements as the Group has no assessable profit for the period.

Hong Kong Profits Tax was recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used is 16.5% (six months ended 30 June 2007: 17.5%) for the six months ended 30 June 2008.

Taxation arising in other jurisdictions is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year prevailing in the relevant jurisdictions.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2008

10. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

| | Six months ended 30 June | |
|---|-----------------------------|------------------|
| | 2008 HK\$'000 | 2007 HK\$'000 |
| (Loss) profit for the period attributable to ordinary equity holders of the Company | (28,672) | 26,619 |
| Dividends on convertible preference share capital | (110) | (138) |
| | <hr/> | <hr/> |
| (Loss) earnings for the purpose of basic (loss) earnings per share | (28,782) | 26,481 |
| Effect of dilutive potential ordinary shares: | | |
| Dividends on convertible preference share capital | 110 | 138 |
| | <hr/> | <hr/> |
| (Loss) earnings for the purpose of diluted (loss) earnings per share | <u>(28,672)</u> | <u>26,619</u> |
| | <hr/> | <hr/> |
| | Number of shares | |
| | '000 | '000 |
| Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share | 821,408 | 792,016 |
| Effect of dilutive potential ordinary shares: | | |
| Convertible preference share capital | 110,000 | 110,000 |
| | <hr/> | <hr/> |
| Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share | <u>931,408</u> | <u>902,016</u> |
| | <hr/> | <hr/> |

No diluted loss per share for the six months ended 30 June 2008 is presented as the exercise of the potential dilutive ordinary shares would result in a reduction in loss per share for the six months ended 30 June 2008.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2008

11. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group disposed of certain plant and equipment with a carrying amount of HK\$3,000 for proceeds of HK\$3,628,000, resulting in a gain on disposal of HK\$3,625,000.

During the period, the Group spent HK\$16,244,000 (six months ended 30 June 2007: HK\$4,779,000) on property, plant and equipment.

The Group has pledged certain motor vehicles with carrying value of HK\$534,000 (31 December 2007: HK\$626,000) to secure new bank loans granted in 2007.

12. AVAILABLE-FOR-SALE INVESTMENTS

| | 30 June 2008 HK\$'000 | 31 December 2007 HK\$'000 |
|-------------------------------------|--------------------------------------|---------------------------------|
| Unlisted equity securities, at cost | 800 | 800 |
| Less: Impairment loss recognised | (800) | (800) |
| | <u> </u> | <u> </u> |
| | - | - |
| | <u> </u> | <u> </u> |

The unlisted investments represent investments 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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2008

13. FINANCE LEASE RECEIVABLES

| | Minimum lease payments | | Present value of minimum lease payments | |
|---|--------------------------|------------------------------|---|------------------------------|
| | 30 June 2008 HK\$'000 | 31 December 2007 HK\$'000 | 30 June 2008 HK\$'000 | 31 December 2007 HK\$'000 |
| Finance lease receivables comprise: | | | | |
| Within one year | - | 278 | - | 271 |
| Less: Unearned finance income | - | (7) | - | - |
| | <u>-</u> | <u>271</u> | <u>-</u> | <u>271</u> |
| Present value of minimum lease payments receivables | <u>-</u> | <u>271</u> | <u>-</u> | <u>271</u> |

The Group had leased out certain of its plant and machinery under finance lease. The average lease term was 3 years. All leases were on a fixed repayment basis and were fully repaid during the period.

The effective interest rate of the above finance leases ranged from 4% to 6% per annum.

14. DEBTORS, DEPOSITS AND PREPAYMENTS

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

The following is an aged analysis of trade receivables at the balance sheet date:

| | 30 June 2008 HK\$'000 | 31 December 2007 HK\$'000 |
|---|--------------------------|------------------------------|
| Trade debtors aged within 60 days | 166,912 | 183,815 |
| Retention receivables | 41,304 | 32,608 |
| Other debtors, deposits and prepayments | 49,782 | 53,916 |
| | <u>257,998</u> | <u>270,339</u> |
| Retention receivables | | |
| Due within one year | 20,064 | 19,658 |
| Due more than one year | 21,240 | 12,950 |
| | <u>41,304</u> | <u>32,608</u> |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2008

15. HELD-FOR-TRADING INVESTMENTS

| | 30 June 2008 HK\$'000 | 31 December 2007 HK\$'000 |
|---|--------------------------------------|---------------------------------|
| Held-for-trading investments stated at fair value: | | |
| – Equity securities listed in Hong Kong | 62,378 | 89,722 |
| – Equity securities listed in the United States of America | 34 | 41 |
| | <u>62,412</u> | <u>89,763</u> |

At 30 June 2008, certain equity securities with market value of HK\$26,190,000 (31 December 2007: HK\$41,400,000) were pledged to a bank to secure general facilities granted to the Group.

In relation to the pledge of equity securities, the bank requires certain subsidiaries of the Company that are entitled to the bank facilities, to provide cross guarantee to the bank. Therefore, although certain equity securities were pledged to the bank, the Group is allowed to trade the pledged securities at the Group's discretion. Accordingly, investments in these equity securities are classified as held-for-trading investments in the condensed consolidated balance sheet.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2008

16. CREDITORS AND ACCRUED CHARGES

The following is an aged analysis of trade payables at the balance sheet date:

| | 30 June 2008 HK\$'000 | 31 December 2007 HK\$'000 |
|-------------------------------------|--------------------------------------|---------------------------------|
| Trade creditors analysed by age: | | |
| 0 to 60 days | 65,390 | 53,899 |
| 61 to 90 days | 4,995 | 4,364 |
| Over 90 days | 7,393 | 7,812 |
| | <hr/> | <hr/> |
| | 77,778 | 66,075 |
| Retention payables | 31,125 | 32,852 |
| Accrued project costs | 81,504 | 100,043 |
| Other creditors and accrued charges | 28,657 | 24,200 |
| | <hr/> | <hr/> |
| | 219,064 | 223,170 |
| | <hr/> <hr/> | <hr/> <hr/> |
| Retention payables | | |
| Due within one year | 21,085 | 19,723 |
| Due more than one year | 10,040 | 13,129 |
| | <hr/> | <hr/> |
| | 31,125 | 32,852 |
| | <hr/> <hr/> | <hr/> <hr/> |

For retention payables in respect of construction contracts, the due dates are usually one year after the completion of the construction work.

17. LOANS FROM A DIRECTOR

The loans from a director of HK\$3,000,000 and HK\$7,000,000 carried interest at Hong Kong Interbank Offered Rate plus 1.75% per annum and are repayable within one year.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2008

18. BANK LOANS

| | 30 June 2008 HK\$'000 | 31 December 2007 HK\$'000 |
|---|--------------------------------------|---------------------------------|
| The maturity of bank loans is as follows: | | |
| Within one year | 125,363 | 151,608 |
| In the second year | 194 | 185 |
| In the third to fifth year inclusive | 191 | 290 |
| | 125,748 | 152,083 |
| Less: Amount due within one year shown under current liabilities | (125,363) | (151,608) |
| Amount due after one year | 385 | 475 |
| Secured | 53,562 | 97,348 |
| Unsecured | 72,186 | 54,735 |
| | 125,748 | 152,083 |

During the period, in respect of bank loans with carrying amounts of HK\$45,633,000 (31 December 2007: HK\$54,735,000) as at 30 June 2008, the Group breached certain terms of the bank loans, which are primarily related to the debt-equity ratio of the Group. According to HKAS 1 "Presentation of financial statements", since the banks have not agreed to waive their right to demand immediate payment as at the balance sheet date, the non-current portion of the bank loans amounting to HK\$26,626,000 (31 December 2007: HK\$32,428,000) have been classified as current liabilities in the condensed consolidated balance sheet as at 30 June 2008. The Group has subsequently obtained written consent from the banks to waive their rights to demand immediate repayment.

During the period, the Group obtained new bank loans of HK\$8,000,000. The loans carry interest at market rates of 3.27% to 4.80% per annum and are repayable within one year. The proceeds were used to finance the Group's civil engineering projects.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2008

19. 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.

20. OBLIGATIONS IN EXCESS OF INTERESTS IN ASSOCIATES

| | 30 June 2008 HK\$'000 | 31 December 2007 HK\$'000 |
|---|--------------------------------------|---------------------------------|
| Cost of investment in unlisted associates | 4 | 4 |
| Share of post-acquisition losses | (21,425) | (21,914) |
| | (21,421) | (21,910) |

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

21. PLEDGE OF ASSETS

Other than disclosed in notes 11 and 15, as at 30 June 2008, bank deposits amounting to HK\$22,000 (31 December 2007: HK\$2,058,000) of the Group were pledged to banks for securing the banking facilities granted to the Group. The pledged bank deposits carry fixed interest ranging from 0.02% to 1.07% (31 December 2007: 1.35% to 2.26%) per annum.

22. CONTINGENT LIABILITIES

| | 30 June 2008 HK\$'000 | 31 December 2007 HK\$'000 |
|---|--------------------------------------|---------------------------------|
| Outstanding tender/performance/retention bonds in respect of construction contracts | 125,524 | 110,055 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2008

23. RELATED PARTY TRANSACTIONS

| | Six months ended 30 June | |
|---|-----------------------------|---------------------|
| | 2008 HK\$'000 | 2007 HK\$'000 |
| Ultimate holding company | | |
| Corporate guarantee received | <u>54,547</u> | <u>54,547</u> |
| Immediate holding company | | |
| Corporate guarantee fee | <u>266</u> | <u>306</u> |
| Associate | | |
| Interest paid | <u>71</u> | <u>71</u> |
| Jointly controlled entities | | |
| Interest income | <u>66</u> | <u>–</u> |
| Compensation of key management personnel | | |
| Short-term employee benefits | <u>6,124</u> | <u>6,556</u> |
| Post-employment benefits | <u>381</u> | <u>378</u> |
| | <u>6,505</u> | <u>6,934</u> |

At 30 June 2008 and 31 December 2007, Wai Kee has also given guarantees to indemnify all liabilities for certain construction contracts undertaken by the Group.

In addition to above, the Group has an interest in a jointly controlled entity for the construction of Zhejiang Shenjiawan – Zhongmentong (the “JCE”). 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 interest held by two wholly-owned subsidiaries of Wai Kee.

BOARD OF DIRECTORS

Executive Directors

Zen Wei Peu, Derek (*Chairman*)

Yu Sai Yen (*Vice Chairman*)

Chang Kam Chuen, Desmond

Non-executive Directors

David Howard Gem

Cheng Chi Pang, Leslie

Lam Wai Hon, Patrick

Independent Non-executive Directors

Chow Ming Kuen, Joseph

Ng Chi Ming, James

Ho Tai Wai, David

AUDIT COMMITTEE

Ng Chi Ming, James (*Chairman*)

Chow Ming Kuen, Joseph

Ho Tai Wai, David

David Howard Gem

REMUNERATION COMMITTEE

Chow Ming Kuen, Joseph (*Chairman*)

Ng Chi Ming, James

Ho Tai Wai, David

Zen Wei Peu, Derek

AUDITOR

Deloitte Touche Tohmatsu

SOLICITORS

Richards Butler in association with

Reed Smith LLP

Conyers Dill & Pearman

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited

CITIC Ka Wah Bank Limited

Hang Seng Bank Limited

Bank of Communications Co., Ltd.

(Hong Kong Branch)

COMPANY SECRETARY

Chang Kam Chuen, Desmond

QUALIFIED ACCOUNTANT

Chang Kam Chuen, Desmond

REGISTERED OFFICE

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2 Church Street

Hamilton HM 11

Bermuda

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Shatin

New Territories

Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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Rosebank Centre

11 Bermudiana Road

Pembroke HM 08

Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Progressive Limited

26th Floor, Tesbury Centre

28 Queen's Road East

Wanchai

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