



Wai Kee Holdings Limited

(Incorporated in Bermuda with limited liability)



Construction



Highway



Bio-Technology



Quarry

Interim Results Highlights

The board of directors (the “Board”) of Wai Kee Holdings Limited (the “Company”) announces the interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30th June, 2005.

FINANCIAL PERFORMANCE HIGHLIGHTS

Group turnover and share of turnover of jointly controlled entities	HK\$324 million
Profit attributable to shareholders	HK\$105 million
Basic earnings per share	HK13.19 cents
Interim dividend per share	HK6 cents
Equity attributable to shareholders per share	HK\$3.22

INTERIM DIVIDEND

The Board has resolved to pay an interim dividend of HK6 cents (six months ended 30th June, 2004: HK5 cents) per ordinary share for the six months ended 30th June, 2005 to the shareholders of the Company whose names appear in the Register of Members of the Company on 19th August, 2005.

It is expected that dividend warrants will be sent to the shareholders on or before 9th September, 2005.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Tuesday, 16th August, 2005 to Friday, 19th August, 2005, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company’s Branch Share Registrar in Hong Kong, Secretaries Limited, at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 p.m. on Monday, 15th August, 2005.

The Group's unaudited turnover for the six months ended 30th June, 2005 was HK\$255 million (2004: HK\$293 million) generating an unaudited consolidated profit attributable to shareholders of HK\$105 million (2004: HK\$517 million or HK\$42 million if exclusion of an one-off profit of HK\$475 million generated from the disposal of its interest in the property development project in Hung Hom Bay). If including turnover of jointly controlled entities shared by the Group, the Group's turnover for the period was HK\$324 million (2004: HK\$472 million).

HIGHWAY AND EXPRESSWAY

Road King Infrastructure Limited ("Road King"), an associate of the Group, contributed profit of HK\$115 million to the Group for the six months ended 30th June, 2005 (2004: HK\$79 million). The contribution for the period was stated after taking into account discount on acquisition recognised as income arising from acquisition of additional interest in Road King and loss on deemed disposal of partial interest in Road King resulting from the exercise of share options by employees of Road King. As of the date of this report, the Group owns 46.81% of Road King.

For the six months ended 30th June, 2005, Road King recorded an unaudited profit attributable to shareholders of HK\$206 million (2004: HK\$178 million), an increase of 16% as compared with that in the corresponding period of year 2004. The increase was mainly due to a steady growth in traffic flow and toll revenue.

In line with Road King's long-term development plan and strategy, Road King signed an agreement in January 2005 to transfer its entire interest of the Changzhou-Caoqiao Highway Project to a PRC third party with the consideration of approximately HK\$106 million.

Also in January 2005, Road King finalized the joint venture agreement with the PRC partners to invest in, operate and manage the 45% of equity interest of Tangshan-Tianjin Expressway in Hebei Province. The project commenced its profit contribution to Road King in February 2005.

After years of extensive researches and preparations, Road King commenced its property business in the PRC in 2004. At present, Road King has projects located in Guangzhou, Guangdong Province and Changzhou, Jiangsu Province. Based on the current circumstances, it is expected that the property business will start to contribute profit to Road King in 2006.

HIGHWAY AND EXPRESSWAY (Cont'd)

On the financial front, Road King's cash and bank deposit was HK\$323 million and total borrowings were HK\$1.78 billion as at 30th June, 2005. During the period, Road King's cash generated from the toll road projects amounted to HK\$445 million (2004: HK\$305 million) and its major cash outflows for the period resulted from the acquisition of Tangshan-Tianjin Project, the investment in property development projects and early repayment of a HK\$306 million Hong Kong dollar denominated loan facility. The People's Bank of China announced the revaluation of RMB on 21st July, 2005, which constituted positive impacts to Road King's treasury situation.

CIVIL CONSTRUCTION

The Group's construction sector, Build King Holdings Limited ("Build King"), registered turnover and share of turnover of jointly controlled entities of HK\$308 million (2004: HK\$386 million) and profit attributable to shareholders of HK\$17 million (2004: HK\$29 million) for the six months ended 30th June, 2005, of which the Group's share was HK\$10 million (2004: HK\$18 million). As of the date of this report, the Group owns 54.06% of effective interest in Build King.

Despite the overall recovery of Hong Kong economy, the management is of view that construction industry will not recover significantly in the near future. The best scenario would be a gradual improvement over the next twelve to eighteen months.

However, the Group is confident that the need for high quality construction is always there, and some clients are beginning to adopt 'best value for money' approach. Given our experience in civil engineering works as well as the tight cost control approach, the Group is confident that in the long term, its construction sector will be able to deliver good return on equity to the Group.

Build King's strategy to diversify into other geographic areas is beginning to show some positive signs. Recently, Build King is in the process of forming a joint venture company with Road King to undertake building work for Road King's property development projects in China. This will give steady revenue for the Group's construction sector, in addition to securing progress and quality for its own projects.

CIVIL CONSTRUCTION (Cont'd)

Build King is settling down gradually in Middle East but real contribution will come earliest in 2006.

As of the date of this report, Build King had contracts on hand of about HK\$3,688 million of which about HK\$1,112 million has yet to be completed.

QUARRYING

Given the low construction turnover in Hong Kong, the Group's quarry operation suffered as a result. For the first six months, the quarrying division registered turnover of HK\$17 million (2004: HK\$72 million) and a loss of HK\$1 million (2004: HK\$38 million, after allowance of HK\$32 million on prepaid royalties in relation to Niu Tou Quarry), mainly due to operation in the quarry in Shanghai. Since June 2005, the Group has stopped the operation in Shanghai and expects to see improvement in the second half this year.

As reported in the Company's 2004 Annual Report, the Group is in negotiation with one of our major customers on a long-term supply contract. If this dispute cannot be resolved via negotiation, then the issue may have to refer to mediation.

BIO-TECHNOLOGY

It is a normal practice of the pesticide industry in China that the buyers are allowed to return the unconsumed goods ordered and delivered to them after completion of the pesticide application period in the third quarter each year. In prior two years, the Group recognised sales revenues when the goods were ordered and delivered to the customers after making allowance for the best estimated future returns. In consideration of the difficulty in reliably estimating the future returns experienced in the previous years, the management decided in the current period to adopt a more prudent approach that the Group does not recognise any sales revenue until the net sale after goods return will have been confirmed with individual customers upon completion of the pesticide application period in the second half year.

BIO-TECHNOLOGY (Cont'd)

As a result of such change, the Group's bio-technology division did not record any turnover for the six months ended 30th June, 2005 (2004: HK\$14 million). Due to no gross profit contributed from sales turnover during the period, the division recorded a loss of HK\$7 million for the period (2004: HK\$2 million), which mainly comprised of research and development expenses in refining existing products and developing new products including fertilisers and micro-organism formulation for fisheries as well as the expenses incurred by the sales team in expanding distribution network.

In the first half of this year, the bio-technology division recorded amounts of goods ordered and delivered to the customers of about HK\$20 million, which is 25% increase as compared with that of 2004. Significant portion of which is expected to be recognised as sales turnover and then contribute gross profit in the second half of 2005.

In order to enrich the product range and pave the future expansion, a factory producing fertilisers and aquatic products for fisheries was put into production and started domestic sales in the second quarter of 2005. As the capacity of this factory is going to pick up, it is expected that there will be a steady growth of production and sales figures in the future.

FUTURE OUTLOOK

The Board is studying various investment options and has identified the growth in construction material market. One of the options is the feasibility of concrete supply business in China to meet the Group's own requirement in Road King's property development projects. As usual, the management will approach any new investment with care and prudence.

LIQUIDITY AND FINANCIAL RESOURCES

The maturity profile of the Group's total borrowings is summarised as follows:

	At 30th June, 2005	At 31st December, 2004
	HK\$' million	<i>HK\$' million</i>
Within one year	76	21
In the second year	12	12
In the third to fifth year inclusive	17	23
	105	56

Included in the total borrowings as at 30th June, 2005, there was a loan of HK\$28 million from an equity holder of Shanghai Environment Investment Company Limited ("SEICL") which was secured by the Group's 6.25% equity interest in SEICL.

As at 30th June, 2005, the Group's cash and bank balances amounted to HK\$106 million, of which HK\$7 million bank deposits were pledged to secure bond and banking facilities granted to the Group. The Group's major cash outflows for the period was the consideration of HK\$47 million paid for acquisition of additional interest in Road King.

As a result of the total borrowings maintained at the low level during the period, the Group recorded finance expenses for the six months ended 30th June, 2005 of only HK\$1 million (2004: HK\$1 million).

With an objective to enhance the return on surplus cash on hand, the Group had invested for the short term in a portfolio of investments starting from first half of last year. As at 30th June, 2005, these investments were stated at their fair values in a total amount of HK\$92 million (as at 31st December, 2004: HK\$100 million), of which HK\$68 million (as at 31st December, 2004: HK\$61 million) were investments in listed securities. For the six months ended 30th June, 2005, the Group suffered a net loss of HK\$3 million (2004: HK\$2 million) from the investments, being the unrealised loss on revaluation of investments at the period end less dividend and interest incomes received from investments during the period.

LIQUIDITY AND FINANCIAL RESOURCES (Cont'd)

Except for certain investment and cash balance of equivalent to about HK\$11 million were in Australian dollars and Pound sterling, the Group's borrowings, investments and cash balances were principally denominated in Hong Kong dollars and Renminbi. Hence, there is no significant exposure to foreign exchange rate fluctuations. During the period, the Group had no borrowing at fixed interest rate and had no financial instrument for hedging purpose.

CAPITAL STRUCTURE AND GEARING RATIO

As at 30th June, 2005, the shareholders' funds amounted to HK\$2,557 million, representing HK\$3.22 per share (as at 31st December, 2004: HK\$2,472 million, representing HK\$3.12 per share). Increase in shareholders' funds was mainly attributable to the profit generated in the period less payment of dividend during the period.

The net gearing ratio, being the ratio of net borrowings (total borrowings less cash and bank balances) to shareholders' funds, maintained a negative figure, as the Group's borrowings (HK\$105 million) were slightly lower than the Group's cash and bank balances (HK\$106 million) at the balance sheet date.

PLEDGE OF ASSETS

As at 30th June, 2005, apart from the bank deposits pledged to secure bond and banking facilities granted to the Group and the Group's 6.25% equity interest in SEICL pledged to secure loan from an equity holder of SEICL, no other asset of the Group was pledged.

CONTINGENT LIABILITIES

The contingent liabilities of the Group were as follows:

	At 30th June, 2005	At 31st December, 2004
	<i>HK\$' million</i>	<i>HK\$' million</i>
Guarantees given to financial institutions in respect of banking and other facilities granted to an associate	—	41
Guarantees/counter indemnities given in respect of outstanding tender/performance/retention bonds for construction contracts	114	148
	114	189

During the period, the Group acquired additional interest in Kier Hong Kong Limited ("Kier"). Upon completion of acquisition, Kier changed from an associate to a subsidiary of the Group. Accordingly, guarantees given to financial institutions in respect of banking and other facilities granted to Kier were excluded from the Group's contingent liabilities. In addition, certain guarantees/indemnities in respect of tender, performance and retention bonds for construction contracts were released during the period.

DIRECTORS' INTERESTS AND SHORT POSITIONS

As at 30th June, 2005, the interests and short positions of the Directors of the Company in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which are 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 and short positions which they were taken or deemed to have under such provisions of the SFO) or were required to be entered in the register maintained by the Company pursuant to section 352 of the SFO or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange were as follows:

(I) The Company

Interests in shares

Name of Director	Capacity/ Nature of interest	Number of shares held		Percentage of holding (%)
		Long position	Short position	
Zen Wei Pao, William	Personal	192,381,843 <i>(note 1)</i>	—	24.26 <i>(note 2)</i>
Zen Wei Peu, Derek	Personal	185,057,078 <i>(note 1)</i>	—	23.33 <i>(note 2)</i>
Lam Wai Hon, Patrick	Personal	300,000 <i>(note 1)</i>	—	0.03
Cheng Chi Pang, Leslie	Personal	500,000 <i>(note 1)</i>	—	0.06
Wong Che Ming, Steve	Personal	1,100,000 <i>(note 1)</i>	—	0.14

DIRECTORS' INTERESTS AND SHORT POSITIONS (Cont'd)**(I) The Company** (Cont'd)**Interests in shares** (Cont'd)

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 30th June, 2005, the issued share capital of the Company is 793,124,034 shares. Accordingly, the percentage has been adjusted.

(II) Associated Corporations**Interests in shares**

Name of Director	Name of company	Capacity/ Nature of interest	Number of shares held		Percentage of holding (%)
			Long position	Short position	
Zen Wei Pao, William	Build King Holdings Limited	Personal	11,940,003 (note 1)	—	1.53
		Personal	10,000,000 (note 3)	—	1.28
	Road King Infrastructure Limited	Personal	5,000,000 (note 2)	—	0.85
	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

DIRECTORS' INTERESTS AND SHORT POSITIONS (Cont'd)

(II) Associated Corporations (Cont'd)

Interests in shares (Cont'd)

Name of Director	Name of company	Capacity/ Nature of interest	Number of shares held		Percentage of holding (%)
			Long position	Short position	
Zen Wei Peu, Derek	Build King Holdings Limited	Personal	49,715,421 <i>(note 1)</i>	—	6.36
		Personal	20,000,000 <i>(note 3)</i>	—	2.56
	Road King Infrastructure Limited	Personal	2,466,000 <i>(note 1)</i>	—	0.42
		Personal	1,300,000 <i>(note 2)</i>	—	0.22
	Wai Kee (Zens) Construction & Transportation Company Limited	Personal	2,000,000 <i>(note 1)</i>	—	10.00
	Wai Luen Stone Products Limited	Personal	30,000 <i>(note 1)</i>	—	37.50
Chiu Wai Yee, Anriena	Build King Holdings Limited	Personal	837,000 <i>(note 3)</i>	—	0.11
	Road King Infrastructure Limited	Personal	450,000 <i>(note 2)</i>	—	0.08

DIRECTORS' INTERESTS AND SHORT POSITIONS (Cont'd)**(II) Associated Corporations** (Cont'd)**Interests in shares** (Cont'd)

Name of Director	Name of company	Capacity/ Nature of interest	Number of shares held		Percentage of holding (%)
			Long position	Short position	
Lam Wai Hon, Patrick	Build King Holdings Limited	Personal	140,000 (note 1)	—	0.02
Cheng Chi Pang, Leslie	Build King Holdings Limited	Personal	140,000 (note 1)	—	0.02
Wong Che Ming, Steve	Build King Holdings Limited	Personal	311,225 (note 1)	—	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 Road King 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 in (II) under the heading of "SHARE OPTIONS" below.
3. Pursuant to the staff share purchasing scheme of the Company adopted on 15th March, 2004, each of Mr. Zen Wei Pao, William, Mr. Zen Wei Peu, Derek and Miss Chiu Wai Yee, Anriena was granted a right to acquire 100,000,000, 200,000,000 and 8,370,000 shares in Build King from the Company respectively. At the special general meeting of Build King held on 23rd July, 2004, approval had been obtained from the shareholders of Build King in respect of share consolidation (on the basis that every ten shares of HK\$0.01 each in the issued and unissued share capital of Build King were consolidated into one share of HK\$0.10 each). Accordingly, the purchase rights for the acquisition of the shares in Build King had been adjusted.

DIRECTORS' INTERESTS AND SHORT POSITIONS (Cont'd)

Save as disclosed above, none of the Directors or their associates has any interests or short positions in any shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) as recorded in the register to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange.

SHARE OPTIONS

(I) The Company

A new share option scheme (the "New Share Option Scheme") was adopted by the Company at the annual general meeting held on 18th September, 2002 to comply with Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). During the period, no option was granted under the New Share Option Scheme.

(II) Associated Corporation

The new share option scheme of Road King was adopted by Road King at the annual general meeting held on 12th May, 2003 (the "Road King New Share Option Scheme") to comply with Chapter 17 of the Listing Rules.

SHARE OPTIONS (Cont'd)

(II) Associated Corporation (Cont'd)

Details of the share options granted under the Road King New Share Option Scheme to the following Directors of the Company and a summary of the movements during the period were as follows:

Name of Director	Date of grant	Vesting period	Exercisable period	Exercise price	Number of share options					Balance at 30.6.2005
					Granted during the period	Exercised during the period*	Expired during the period	Cancelled during the period	Balance at 1.1.2005	
<i>HK\$</i>										
Zen Wei Pao, William	17th October, 2003	5 years	17th October, 2003 to 16th October, 2008	5.15	2,500,000	—	—	—	—	2,500,000
	26th August, 2004	5 years	26th August, 2004 to 25th August, 2009	5.70	2,500,000	—	—	—	—	2,500,000
Zen Wei Peu, Derek	17th October, 2003	5 years	17th October, 2003 to 16th October, 2008	5.15	650,000	—	(650,000)	—	—	—
	26th August, 2004	5 years	26th August, 2004 to 25th August, 2009	5.70	1,300,000	—	—	—	—	1,300,000
Chiu Wai Yee, Anriena	17th October, 2003	5 years	17th October, 2003 to 16th October, 2008	5.15	250,000	—	—	—	—	250,000
	26th August, 2004	5 years	26th August, 2004 to 25th August, 2009	5.70	200,000	—	—	—	—	200,000
Total					7,400,000	—	(650,000)	—	—	6,750,000

* The weighted average closing price of the shares of Road King immediately before the dates on which the share options were exercised was HK\$5.575.

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).

Disclosure of Interests

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30th June, 2005, so far as is known to any Directors of the Company, the following persons (other than Directors of the Company) have interests or short positions in the shares and 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 pursuant to section 336 of the SFO:

Name of shareholder	Name of company	Capacity/ Nature of interest	Number of shares held		Percentage of holding (%)
			Long position	Short position	
Chow Tai Fook Enterprises Limited (note 2)	Wai Kee Holdings Limited	Corporate	213,868,000 (note 1)	—	26.97
New World Development Company Limited (note 3)	Wai Kee Holdings Limited	Corporate	213,868,000 (note 1)	—	26.97
NWS Holdings Limited (note 4)	Wai Kee Holdings Limited	Corporate	213,868,000 (note 1)	—	26.97
NWS Service Management Limited (note 5)	Wai Kee Holdings Limited	Corporate	213,868,000 (note 1)	—	26.97
NWS Service Management Limited (note 6)	Wai Kee Holdings Limited	Corporate	213,868,000 (note 1)	—	26.97
Vast Earn Group Limited (note 7)	Wai Kee Holdings Limited	Personal/ Beneficiary	213,868,000 (note 1)	—	26.97

SUBSTANTIAL SHAREHOLDERS' INTERESTS (Cont'd)

Notes:

1. Long position in the shares (other than pursuant to equity derivatives such as share options, warrants to subscribe or convertible bonds).
2. Chow Tai Fook Enterprises Limited is 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.
3. New World Development Company Limited is deemed to be interested in the shares through its interests in more than one-third of the issued share capital of NWS Holdings Limited.
4. NWS Holdings Limited is deemed to be interested in the shares through its interests in its wholly owned subsidiaries, namely NWS Service Management Limited (incorporated in the Cayman Islands), NWS Service Management Limited (incorporated in the British Virgin Islands) and Vast Earn Group Limited.
5. NWS Service Management Limited (incorporated in the Cayman Islands) is deemed to be interested in the shares through its interests in its wholly owned subsidiaries, namely NWS Service Management Limited (incorporated in the British Virgin Islands) and Vast Earn Group Limited.
6. NWS Service Management Limited (incorporated in the British Virgin Islands) is deemed to be interested in the shares through its interests in its wholly owned subsidiary, namely Vast Earn Group Limited.
7. Vast Earn Group Limited is a wholly owned subsidiary of NWS Service Management Limited (incorporated in the British Virgin Islands).

Save as disclosed above, no other person (other than a Director of the Company) has 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.

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 30th June, 2005, with deviations from code provisions A.2.1, A.4.1 and A.4.2 of the Code in respect of the separate role of chairman and chief executive officer, service term and rotation of directors.

Under the code provisions A.2.1, A.4.1 and A.4.2 of the Code, (a) the roles of chairman and chief executive officer (“CEO”) should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and CEO should be clearly established and set out in writing; (b) non-executive directors should be appointed for a specific term and subject to re-election; and (c) all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment, and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

CODE PROVISION A.2.1

Mr. William Zen Wei Pao and Mr. Derek Zen Wei Peu are brothers. They act as the Chairman and Vice Chairman of the Company respectively. Their duties are clearly set out in writing and are separate. Mr. William Zen Wei Pao, in addition to his duties as the Chairman of the Company, is also responsible for overseeing the operations of the Group’s highway and bio-technology divisions. This constitutes a deviation from code provision A.2.1 of the Code as part of his duties overlap with those of the Vice Chairman. However, due to the Company’s nature of operations, the Company considers that these duties are best served by the Chairman with his knowledge and experience in this area of the Group’s operations. The Company therefore does not currently intend to amend the duties of the Chairman in this regard.

The Company does not at present have any officer with the title “chief executive officer”. However, the Vice Chairman carries out the duties of a CEO of the Company and had done so since 1992. He was formally designated the “managing director” of the Company until 1998 when his title was changed to “Vice Chairman”. Even though he is not formally designated as CEO of the Company, his duties and responsibilities are segregated from those of the Chairman’s.

Since the roles of the Chairman and Vice Chairman are clearly segregated and the Vice Chairman is in practice, the chief executive officer, even though he does not carry that title, the Company does not currently intend to re-designate the Vice Chairman as CEO of the Company.

CODE PROVISION A.4.2

According to Bye-law 87 of the Bye-laws of the Company then in effect before 13th May, 2005, one-third of the directors for the time being shall retire from the office by rotation at each annual general meeting provided that the Chairman of the Board and/or the Managing Director of the Company shall not be subject to retirement by rotation. The directors to retire by rotation shall include any director who wishes to retire and not to offer himself for re-election, or those who have been longest in office since their last re-election or appointment or those who were appointed by the Board to fill casual vacancy. However, as between persons who became or were last re-elected directors on the same day, those to retire shall be determined by lot (unless they otherwise agree among themselves). As the Chairman of the Board is not subject to retirement by rotation under the Bye-laws of the Company, this constitutes a deviation from code provision A.4.2 of the Code. Nevertheless, any director appointed to fill a casual vacancy or as an addition to the Board shall hold office only until the next following annual general meeting and shall be eligible for re-election.

To comply with code provision A.4.2 of the Code, the relevant amendment to Bye-law 87 of the Bye-laws of the Company was proposed and approved by the shareholders at the annual general meeting of Company held on 13th May, 2005.

CODE PROVISION A.4.1

None of the existing non-executive Directors of the Company is appointed for a specific term. This constitutes a deviation from code provision A.4.1 of the Code. However, all Directors of the Company (executive and non-executive) are subject to the retirement provisions under Bye-law 87 of the Bye-laws of the Company as described above. As such, the Company 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors by Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all Directors of the Company have confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30th June, 2005.

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 during the six months ended 30th June, 2005.

DISCLOSURE PURSUANT TO RULES 13.16 AND 13.22 OF THE LISTING RULES

As a result of substantial reduction of guarantees given by the Group for the benefit of the Company's affiliated companies during the six months ended 30th June, 2005, all of the percentage ratios set out in Rule 14.04(9) of the Listing Rules in respect of the financial assistance and guarantees to the Company's affiliated companies together in aggregate did not exceed 8% at 30th June, 2005.

As the circumstances giving rise to a disclosure under Rule 13.16 of the Listing Rules did not continue to exist at the Company's interim period end, continuing disclosure obligation under Rule 13.22 of the Listing Rules was no longer required in this interim report.

AUDIT COMMITTEE

The Audit Committee has reviewed with management and external auditors the accounting principles and policies adopted by the Group and the unaudited interim financial statements for the six months ended 30th June, 2005.

EMPLOYEES AND REMUNERATION POLICIES

As at 30th June, 2005, the Group had 1,497 employees (as at 31st December, 2004: 1,481 employees), of which 1,031 (as at 31st December, 2004: 1,071) were located in Hong Kong, 461 (as at 31st December, 2004: 399) were located in Mainland China and 5 (as at 31st December, 2004: 11) were located in Taiwan. For the six months ended 30th June, 2005, the Group's total staff costs were about HK\$80 million.

Competitive remuneration packages are structured to commensurate with individual responsibilities, qualification, experience and performance.

APPRECIATION

With our committed and diligent staff, the Board is optimistic on the Group's performance and future. The Board would like to take this opportunity to extend its heartiest thanks to the entire loyal and dedicated staff.

By Order of the Board

William Zen Wei Pao

Chairman

Hong Kong, 29th July, 2005



**INDEPENDENT REVIEW REPORT
TO THE DIRECTORS OF WAI KEE HOLDINGS LIMITED**

(Incorporated in Bermuda with limited liability)

INTRODUCTION

We have been instructed by the Company to review the interim financial report set out on pages 23 to 58.

DIRECTORS' RESPONSIBILITIES

The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report, 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.

REVIEW WORK PERFORMED

We conducted our review in accordance with Statement of Auditing Standards 700 “Engagements to Review Interim Financial Reports” issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquiries of management and applying analytical procedures to the interim financial report and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

REVIEW CONCLUSION

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30th June, 2005.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

29th July, 2005

Condensed Consolidated Income Statement

For the six months ended 30th June, 2005

	Notes	Six months ended 30th June,	
		2005 (Unaudited) HK\$'000	2004 (Restated) (Unaudited) HK\$'000
Turnover	5	255,189	292,691
Cost of sales		(242,142)	(290,307)
Gross profit		13,047	2,384
Other operating income	7	6,910	5,739
Distribution costs		(3,630)	(2,303)
Administrative expenses		(64,546)	(56,320)
Allowance on prepaid royalties	19	—	(32,000)
Gain on disposal of interest in a property development project	8	—	475,309
Finance costs	9	(1,208)	(1,138)
Share of results of associates		97,109	77,717
Share of results of jointly controlled entities		47,709	66,397
Discount on acquisition of additional interest in an associate	10	24,113	—
Negative goodwill released to income		—	4,367
Amortisation of goodwill of an associate		—	(265)
Loss on deemed disposals of partial interest in an associate		(3,970)	(5,018)
Profit before taxation	11	115,534	534,869
Income tax expense	12	(3,452)	(3,599)
Profit for the period		112,082	531,270
Attributable to:			
Shareholders of the parent		104,608	516,650
Minority interests		7,474	14,620
		112,082	531,270
Dividends	13	47,588	158,565
		HK cents	HK cents
Earnings per share	14		
– Basic		13.19	65.47
– Diluted		N/A	65.22

Condensed Consolidated Balance Sheet

At 30th June, 2005

		30th June, 2005	31st December, 2004
		(Unaudited)	(Restated) (Audited)
	Notes	HK\$'000	HK\$'000
Non-current assets			
Property, plant and equipment	15	63,398	43,810
Prepaid lease payments on land use rights		5,203	3,137
Intangible assets	16	29,206	—
Goodwill	17	35,950	35,950
Interests in associates		2,329,907	2,223,091
Interests in jointly controlled entities		84,240	50,312
Investment securities	18	—	28,302
Prepaid royalties	19	9,750	8,690
Finance lease receivables	20	1,036	—
		2,558,690	2,393,292
Current assets			
Prepaid lease payments on land use rights		109	66
Available-for-sale investments	18	28,302	—
Inventories		32,550	21,221
Amount due from customers for contract work		39,540	33,189
Debtors, deposits and prepayments	21	177,459	141,837
Amounts due from associates		541	14,809
Amounts due from jointly controlled entities		11,885	2,964
Tax recoverable		2,062	9,984
Investments at fair value through profit or loss/ Other investments	22	92,050	99,507
Prepaid royalties	19	2,256	4,444
Finance lease receivables	20	1,670	—
Bank deposits pledged	29	6,902	19,038
Bank balances and cash		99,212	148,068
		494,538	495,127

Condensed Consolidated Balance Sheet

At 30th June, 2005

		30th June, 2005	31st December, 2004
		(Unaudited)	(Restated)
	<i>Notes</i>	HK\$'000	HK\$'000
Current liabilities			
Amount due to customers for contract work		12,259	12,877
Creditors and accrued charges	23	244,957	221,550
Amounts due to jointly controlled entities		35,615	28,270
Amounts due to associates		3,320	32
Amount due to a related company	24	11,268	11,178
Amounts due to minority shareholders		2,548	2,548
Income tax liabilities		14,006	12,399
Other borrowings – due within one year	25	28,406	231
Bank loans – due within one year	26	36,234	9,434
		388,613	298,519
Net current assets		105,925	196,608
Total assets less current liabilities		2,664,615	2,589,900
Non-current liabilities			
Loans from minority shareholders		941	941
Deferred tax liabilities		5,111	—
Amounts due to associates		12,551	33,159
Amounts due to jointly controlled entities		4,067	4,070
Other borrowings – due after one year		34	42
Bank loans – due after one year	26	29,200	35,000
		51,904	73,212
		2,612,711	2,516,688
Capital and reserves			
Share capital		79,312	79,312
Reserves		2,477,208	2,392,791
Equity attributable to shareholders of the parent		2,556,520	2,472,103
Minority interests		56,191	44,585
Total equity		2,612,711	2,516,688

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June, 2005

	Share capital HK\$'000	Share premium HK\$'000	Translation reserve HK\$'000	Special reserve HK\$'000	Assets revaluation reserve HK\$'000	Retained profits HK\$'000	Total equity attributable to shareholders of the parent HK\$'000	Minority interests HK\$'000	Total equity HK\$'000
At 1st January, 2004	78,525	730,016	17,421	(29,530)	—	1,272,761	2,069,193	4,552	2,073,745
Exchange difference arising on translation of foreign operations	—	—	(1,545)	—	—	—	(1,545)	(1,313)	(2,858)
Share of reserves of associates	—	—	(2,287)	—	—	—	(2,287)	—	(2,287)
Losses recognised directly in equity	—	—	(3,832)	—	—	—	(3,832)	(1,313)	(5,145)
Profit for the period	—	—	—	—	—	516,650	516,650	14,620	531,270
Net (losses) gains for the period	—	—	(3,832)	—	—	516,650	512,818	13,307	526,125
Disposal of partial interests in subsidiaries	—	—	—	—	—	—	—	3,095	3,095
Exercise of share options	757	1,818	—	—	—	—	2,575	—	2,575
Dividends paid	—	—	—	—	—	(158,565)	(158,565)	—	(158,565)
Distribution of assets (note 13)	—	—	—	—	—	(14,437)	(14,437)	14,437	—
At 30th June, 2004	79,282	731,834	13,589	(29,530)	—	1,616,409	2,411,584	35,391	2,446,975
At 1st January, 2005									
— as originally stated	79,312	731,906	21,470	(29,530)	—	1,668,945	2,472,103	44,585	2,516,688
— adjustments on adoption of new accounting standards (notes 2 and 3)	—	—	—	—	—	26,763	26,763	—	26,763
— as restated	79,312	731,906	21,470	(29,530)	—	1,695,708	2,498,866	44,585	2,543,451
Revaluation increase on net assets shared by the Group in interests in associates (note 27)	—	—	—	—	1,514	—	1,514	1,285	2,799
Exchange difference arising on translation of foreign operations	—	—	(374)	—	—	—	(374)	(319)	(693)
Share of reserves of associates	—	—	(506)	—	—	—	(506)	—	(506)
Net (losses) gains recognised directly in equity	—	—	(880)	—	1,514	—	634	966	1,600
Profit for the period	—	—	—	—	—	104,608	104,608	7,474	112,082
Net (losses) gains for the period	—	—	(880)	—	1,514	104,608	105,242	8,440	113,682
Capital contribution from minority shareholder	—	—	—	—	—	—	—	2,500	2,500
Acquisition of a subsidiary	—	—	—	—	—	—	—	666	666
Dividends paid	—	—	—	—	—	(47,588)	(47,588)	—	(47,588)
At 30th June, 2005	79,312	731,906	20,590	(29,530)	1,514	1,752,728	2,556,520	56,191	2,612,711

Condensed Consolidated Cash Flow Statement

For the six months ended 30th June, 2005

	Notes	Six months ended 30th June,	
		2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000
Net cash used in operating activities		(49,765)	(24,168)
Investing activities			
Distribution of profits from jointly controlled entities		27,430	8,480
Dividends received from an associate		48,964	26,306
Advances to associates		(15,121)	(679)
Advances to jointly controlled entities		(3,663)	(111,667)
Purchase of investments at fair value through profit or loss/other investments		(18,407)	(67,292)
Increase in investment in an associate		(47,161)	(50,008)
Net cash outflow on acquisition of subsidiaries	27	(5,802)	(35,633)
Capital contribution to a jointly controlled entity		(11,826)	—
Capital contribution from minority shareholder of a subsidiary		2,500	—
Proceeds from disposal of interest in a property development project	8	—	573,652
Proceeds from disposal of interest in an associate		6,624	—
Proceeds from disposal of investments at fair value through profit or loss/other investments		20,868	—
Decrease in bank deposits pledged to secure banking facilities		12,136	24,950
Purchase of property, plant and equipment		(16,012)	(1,769)
Increase in finance lease receivables		(3,556)	—
Repayment of finance lease receivables		850	—
Other investing activities		3,192	5,459
Net cash generated from investing activities		1,016	371,799
Financing activities			
New bank loans raised		12,000	—
Other borrowing raised		28,302	—
Repayment of bank loans		—	(148,830)
Dividends paid		(47,588)	(158,565)
Advances from jointly controlled entities		7,342	20,260
Repayment to a related company		—	(10,000)
Repayment to associates		(28)	(4)
Other financing activities		(135)	1,768
Net cash used in financing activities		(107)	(295,371)
Net (decrease) increase in cash and cash equivalents		(48,856)	52,260
Cash and cash equivalents at beginning of the period		148,068	50,904
Cash and cash equivalents at end of the period, represented by bank balances and cash		99,212	103,164

Notes to the Condensed Financial Statements

For the six months ended 30th June, 2005

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

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

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

Notes to the Condensed Financial Statements

For the six months ended 30th June, 2005

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

Business combinations

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

Goodwill

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

Excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (previously known as "negative goodwill")

In accordance with HKFRS 3, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition ("discount on acquisition") is recognised immediately in profit or loss in the period in which the acquisition takes place. In previous periods, negative goodwill arising on acquisitions was presented as a deduction from assets and released to income based on an analysis of the circumstances from which the balance resulted. In accordance with the relevant transitional provisions in HKFRS 3, the Group has derecognised all negative goodwill at 1st January, 2005 (of which negative goodwill of HK\$23,393,000 was previously recorded in interests in associates and another amount of HK\$5,475,000 was released from the share of retained profits of an associate's own financial statements on adoption of HKFRS 3), with a corresponding increase to retained profits.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

Intangible assets

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

Interests in jointly controlled entities

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

Financial instruments

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

Classification and measurement of financial assets and financial liabilities

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

Notes to the Condensed Financial Statements

For the six months ended 30th June, 2005

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Classification and measurement of financial assets and financial liabilities (Cont'd)

By 31st December, 2004, the Group classified and measured its debt and equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice 24 ("SSAP 24"). Under SSAP 24, investments in debt or equity securities are classified as "investment securities", "other investments" or "held-to-maturity investments" as appropriate. "Investment securities" are carried at cost less impairment losses (if any) while "other investments" are measured at fair value, with unrealised gains or losses included in the profit or loss. Held-to-maturity investments are carried at amortised cost less impairment losses (if any). From 1st January, 2005 onwards, the Group classifies and measures its debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables", or "held-to-maturity financial assets". The classification depends on the purpose for which the assets are acquired. "Financial assets at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method.

On 1st January, 2005, the Group classified and measured its debt and equity securities in accordance with the requirements of HKAS 39. Investment securities classified under non-current assets with carrying amount of HK\$28,302,000 and other investments classified under current assets with carrying amount of HK\$99,507,000 were reclassified to available-for-sale investments and investments at fair value through profit or loss on 1st January, 2005 respectively.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial assets and financial liabilities other than debt and equity securities

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

Adjustments to the Group's previous carrying amounts of assets, liabilities and retained profits were made on 1st January, 2005 (see note 3 for the financial impact).

Owner-occupied leasehold interest in land

In previous periods, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model. In the current period, the Group has applied HKAS 17 "Leases". Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments on land use rights under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. This change in accounting policy has been applied retrospectively (see note 3 for the financial impact). Alternatively, where the allocation between the land and buildings elements cannot be made reliably, the leasehold interests in land continue to be accounted for as property, plant and equipment.

Notes to the Condensed Financial Statements

For the six months ended 30th June, 2005

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

The effects of the changes in the accounting policies described above on the results for the current and prior periods are as follows:

	Six months ended	
	30th June,	
	2005	2004
	HK\$'000	HK\$'000
Decrease in amortisation of goodwill	1,518	—
Discount on acquisition of additional interest in an associate recognised directly in the income statement in which the acquisition takes place	24,113	—
Decrease in negative goodwill released to income	(11,677)	—
	<hr/>	
Increase in profit for the period	13,954	—

Analysis of increase in profit for the period by line items presented according to their function:

	Six months ended	
	30th June,	
	2005	2004
	HK\$'000	HK\$'000
Decrease in administrative expenses	1,254	—
Decrease in share of results of associates	(2,549)	—
Discount on acquisition of additional interest in an associate	24,113	—
Decrease in negative goodwill released to income	(8,864)	—
	<hr/>	
	13,954	—

Notes to the Condensed Financial Statements

For the six months ended 30th June, 2005

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES (Cont'd)

The cumulative effects of the application of the new HKFRSs as at 31st December, 2004 and 1st January, 2005 are summarised below:

	As at 31st December, 2004 (Originally stated) <i>HK\$'000</i>	Effect of HKAS 17 <i>HK\$'000</i>	As at 31st December, 2004 (Restated) <i>HK\$'000</i>	Effect of HKFRS 3 <i>HK\$'000</i>	Effect of HKAS 32 and HKAS 39 <i>HK\$'000</i>	As at 1st January, 2005 (Restated) <i>HK\$'000</i>
Balance Sheet items affected:						
Property, plant and equipment	47,013	(3,203)	43,810	—	—	43,810
Prepaid lease payments on land use rights	—	3,203	3,203	—	—	3,203
Interests in associates	2,223,091	—	2,223,091	28,868	(12,767)	2,239,192
Amounts due to associates	(33,159)	—	(33,159)	—	10,662	(22,497)
Total effects on assets and liabilities	2,236,945	—	2,236,945	28,868	(2,105)	2,263,708
Retained profits	1,668,945	—	1,668,945	28,868	(2,105)	1,695,708
Minority interests	44,585	—	44,585	—	—	44,585
Total effects on equity	1,713,530	—	1,713,530	28,868	(2,105)	1,740,293

Notes to the Condensed Financial Statements

For the six months ended 30th June, 2005

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

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

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

5. TURNOVER

	Six months ended	
	30th June,	
	2005	2004
	HK\$'000	HK\$'000
Group turnover and share of turnover of jointly controlled entities	324,466	472,487
Less: Share of turnover of jointly controlled entities	69,277	179,796
Group turnover	255,189	292,691

6. SEGMENTAL INFORMATION

For management purposes, the Group classifies its business into three operating divisions - civil construction, quarrying, highway and expressway operations, and other operations, in which highway and expressway is operated through an associate of the Group. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Civil construction

- construction of civil engineering projects

Quarrying

- production and sale of quarry products

Highway and expressway operations

- investment in, development, operation and management of highways and expressways

Notes to the Condensed Financial Statements

For the six months ended 30th June, 2005

6. SEGMENTAL INFORMATION (Cont'd)

The Group's turnover and profit for the six months ended 30th June, 2005 and for the six months ended 30th June, 2004 by business segment are as follows:

	Civil construction HK\$'000	Quarrying HK\$'000	Highway and expressway operations HK\$'000	Others HK\$'000	Elimination HK\$'000	Total HK\$'000
Six months ended 30th June, 2005						
Results						
Group turnover	238,512	16,677	–	–	–	255,189
Add: Inter-segment sales	–	1,901	–	–	(1,901)	–
Segment turnover	238,512	18,578	–	–	(1,901)	255,189
Segment results	(28,715)	(711)	–	(7,706)		(37,132)
Unallocated income less expenses						(11,087)
Finance costs						(1,208)
Share of results of associates	2,228	–	94,914	(33)		97,109
Share of results of jointly controlled entities	47,709	–	–	–		47,709
Discount on acquisition of additional interest in an associate	–	–	24,113	–		24,113
Loss on deemed disposals of partial interest in an associate	–	–	(3,970)	–		(3,970)
Profit before taxation						115,534
Income tax expense						(3,452)
Profit for the period						112,082

Notes to the Condensed Financial Statements

For the six months ended 30th June, 2005

6. SEGMENTAL INFORMATION (Cont'd)

	Civil construction HK\$'000	Quarrying HK\$'000	Highway and expressway operations HK\$'000	Others HK\$'000	Elimination HK\$'000	Total HK\$'000
Six months ended 30th June, 2004						
Results						
Group/Segment turnover	206,543	72,017	—	14,131	—	292,691
Segment results	(30,787)	(37,666)	—	(4,135)		(72,588)
Unallocated income less expenses						(9,912)
Gain on disposal of interest in a property development project	—	—	—	475,309*		475,309
Finance costs						(1,138)
Share of results of associates	763	—	79,910	(2,956)		77,717
Share of results of jointly controlled entities	66,397	—	—	—		66,397
Negative goodwill released to income	—	—	4,367	—		4,367
Amortisation of goodwill of an associate	(265)	—	—	—		(265)
Loss on deemed disposals of partial interest in an associate	—	—	(5,018)	—		(5,018)
Profit before taxation						534,869
Income tax expense						(3,599)
Profit for the period						531,270

* The gain arose from the disposal of the Group's interest in a property development project with the Government of Hong Kong Special Administrative Region ("HKSAR").

There were no inter-segment sales for the six months ended 30th June, 2004.

Notes to the Condensed Financial Statements

For the six months ended 30th June, 2005

7. OTHER OPERATING INCOME

	Six months ended 30th June,	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Other operating income includes the following:		
Interest on bank deposits	540	275
Interest on investments at fair value through profit or loss/other investments	462	—
Dividend income from investments at fair value through profit or loss/other investments	1,035	746
Gain on disposal of investments at fair value through profit or loss	385	—
Gain on disposal of property, plant and equipment	1,966	—

Notes to the Condensed Financial Statements

For the six months ended 30th June, 2005

8. GAIN ON DISPOSAL OF INTEREST IN A PROPERTY DEVELOPMENT PROJECT

Pursuant to an agreement dated 3rd February, 2004, Main Success Investments Limited, a wholly-owned subsidiary of the Company, disposed of the entire issued share capital of Asian Reward Development Limited, a wholly-owned subsidiary of the Company, through which the Group held a 50% interest in a jointly controlled entity that owned a property development project. Completion of the agreement took place on 26th February, 2004 and the net assets disposed of on 26th February, 2004 are as follows:

	<i>HK\$'000</i>
Interest in a jointly controlled entity	85,343
Deferred tax assets	8,000
<hr/>	
Net assets disposed of	93,343
Gain on disposal	475,309
<hr/>	
Total consideration	568,652
<hr/>	
SATISFIED BY:	
Cash received	596,652
Expenses related to the disposal paid	(23,000)
<hr/>	
Net cash received	573,652
Accrued legal costs	(5,000)
<hr/>	
	568,652
<hr/>	

Notes to the Condensed Financial Statements

For the six months ended 30th June, 2005

9. FINANCE COSTS

	Six months ended	
	30th June,	
	2005	2004
	HK\$'000	HK\$'000
Interest on:		
Bank and other borrowings wholly repayable within five years	1,198	1,115
Finance lease and sale and leaseback arrangement	10	23
	1,208	1,138

10. DISCOUNT ON ACQUISITION OF ADDITIONAL INTEREST IN AN ASSOCIATE

During the period, the Group acquired, in aggregate, an additional 1.4% of the issued share capital of an associate, Road King Infrastructure Limited, at a consideration of HK\$47,161,000, while the fair value of the Group's share of the identifiable assets and liabilities of the associate at the respective dates of acquisition, in aggregate, amounted to HK\$71,274,000. The excess of the fair value over the cost of acquisition represents the discount credited to the consolidated income statement for the period.

Notes to the Condensed Financial Statements

For the six months ended 30th June, 2005

11. PROFIT BEFORE TAXATION

	Six months ended 30th June,	
	2005	2004
	HK\$'000	HK\$'000
Profit before taxation has been arrived at after charging:		
Depreciation	5,793	4,268
Less: Amount attributable to construction contracts and inventories	(2,500)	(885)
	3,293	3,383
Amortisation of prepaid lease payments on land use rights	33	33
Amortisation of goodwill	—	418
Unrealised loss on revaluation of investments at fair value through profit or loss/other investments	5,381	3,353
Consultancy fee paid to an associate	11,313	—
Share of tax on results of associates	8,692	10,994
Share of tax on results of jointly controlled entities	4,053	12,485

Notes to the Condensed Financial Statements

For the six months ended 30th June, 2005

12. INCOME TAX EXPENSE

	Six months ended	
	30th June,	
	2005	2004
	HK\$'000	HK\$'000
Income tax for the period		
Hong Kong	4,515	413
Other jurisdictions	82	182
(Overprovision) underprovision in prior years		
Hong Kong	(1,295)	3,043
Other jurisdictions	150	(39)
	3,452	3,599

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

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

Notes to the Condensed Financial Statements

For the six months ended 30th June, 2005

13. DIVIDENDS

	Six months ended 30th June,	
	2005	2004
	HK\$'000	HK\$'000
Final dividend paid for the year ended 31st December, 2004: HK6 cents (year ended 31st December, 2003: HK5 cents) per share	47,588	39,641
Special dividend paid for the year ended 31st December, 2004: Nil (year ended 31st December, 2003: HK15 cents) per share	—	118,924
	47,588	158,565

An interim dividend for the six months ended 30th June, 2005 of HK6 cents (six months ended 30th June, 2004: HK5 cents) per ordinary share amounting to approximately HK\$47,588,000 was approved by the Board on 29th July, 2005. This interim dividend has not been included as a liability in these condensed financial statements.

Other than paying the dividends in cash, a special distribution of 2,219,627,295 shares of Build King Holdings Limited ("Build King"), the Company's subsidiary whose shares are listed on the Stock Exchange, was declared and made during the six months ended 30th June, 2004 on the basis of 14 shares of Build King per 5 shares of the Company and resulted in a reduction in the retained profits by HK\$14,437,000.

Notes to the Condensed Financial Statements

For the six months ended 30th June, 2005

14. EARNINGS PER SHARE

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

	Six months ended 30th June,	
	2005	2004
	HK\$'000	HK\$'000
Earnings for the purposes of basic and diluted earnings per share	104,608	516,650
	Number of shares	
Weighted average number of ordinary shares for the purpose of basic earnings per share	793,124,034	789,167,579
Effect of dilutive potential ordinary shares:		
Options		2,986,597
Weighted average number of ordinary shares for the purpose of diluted earnings per share		792,154,176

All the outstanding share options granted by the Company were exercised during the year ended 31st December, 2004.

15. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group's acquisition of property, plant and equipment amounted to HK\$25,295,000 (six months ended 30th June, 2004: HK\$1,769,000).

Notes to the Condensed Financial Statements

For the six months ended 30th June, 2005

16. INTANGIBLE ASSETS

The amount represents the fair value of the construction licenses with indefinite useful lives held by a subsidiary acquired by the Group during the period (the “acquired subsidiary”) as set out in note 27. The construction licenses are granted by Hong Kong Works Bureau to the acquired subsidiary through which the acquired subsidiary is eligible to enter into the HKSAR government construction contracts of all five categories of public works, namely ports works, site formation, road and drainage, water works and building with no limitation in contract sum.

17. GOODWILL

	30th June, 2005 HK\$'000	31st December, 2004 HK\$'000
COST		
At beginning of the period/year	37,622	—
Addition during the period/year	—	37,622
Elimination of amortisation accumulated prior to the adoption of HKFRS 3 (note 2)	(1,672)	—
At end of the period/year	35,950	37,622
AMORTISATION		
At beginning of the period/year	1,672	—
Provided for the period/year	—	1,672
Elimination of amortisation accumulated prior to the adoption of HKFRS 3 (note 2)	(1,672)	—
At end of the period/year	—	1,672
CARRYING AMOUNT		
At end of the period/year	35,950	35,950

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

Notes to the Condensed Financial Statements

For the six months ended 30th June, 2005

18. AVAILABLE-FOR-SALE INVESTMENTS/INVESTMENT SECURITIES

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

Note:

The amount includes a 6.25% equity investment amounting to HK\$28,302,000 in the registered capital of Shanghai Environment Investment Company Limited ("SEICL"), a company established in the People's Republic of China (the "PRC"). SEICL is an investment holding company whose investment targets are companies undertaking waste management projects in the PRC, including operating incinerators and landfill. The 6.25% equity investment in SEICL is pledged to another equity holder of SEICL to secure a loan of HK\$28,302,000 as disclosed in note 25.

During the period, the Group decided to divest its entire equity interest in the SEICL and an active programme was initiated to identify potential buyer. 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 30th June, 2005

19. PREPAID ROYALTIES

The prepaid royalties is analysed as follows:

	30th June, 2005 HK\$'000	31st December, 2004 HK\$'000
Within one year	2,256	4,444
In the second to fifth year inclusive	43,750	42,690
	46,006	47,134
Less: Allowance	34,000	34,000
	12,006	13,134
Less: Amount recoverable within one year shown under current assets	2,256	4,444
Amount recoverable after one year	9,750	8,690

The amount was recorded as loans receivable as at 31st December, 2004. This amount in fact represents advances to and the cost of construction work to be recoverable from the local government in Wanshan, the PRC, which will be settled by a waiver of royalty fees arising from the sale of quarry products from a quarry of the Group in the PRC. Hence, it is royalty prepayment in substance. The directors have considered the prospects of the construction industry and have reassessed the likelihood of the settlement of these prepaid royalties in full through the waiver of royalty fees arising from the sale of quarry products. Based on the anticipated sales of quarry products, the directors are of the opinion that the prepaid royalties will not be recoverable in full, and accordingly an allowance of HK\$34,000,000 has been recognised in the income statement in 2004. Additionally, in accordance with directors' best estimation, prepaid royalties expected to be utilized within next twelve months are classified under current assets, whereas the remaining amount is classified under non-current assets.

Notes to the Condensed Financial Statements

For the six months ended 30th June, 2005

20. FINANCE LEASE RECEIVABLES

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

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 30th June, 2005

21. DEBTORS, DEPOSITS AND PREPAYMENTS

	30th June, 2005 HK\$'000	31st December, 2004 HK\$'000
Trade debtors (aged analysis):		
0 to 60 days	78,262	69,998
61 to 90 days	652	606
Over 90 days	10,570	925
	89,484	71,529
Retentions receivable	33,657	17,575
Other debtors, deposits and prepayments	54,318	52,733
	177,459	141,837

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

Notes to the Condensed Financial Statements

For the six months ended 30th June, 2005

22. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS/ OTHER INVESTMENTS

	30th June, 2005 HK\$'000	31st December, 2004 HK\$'000
Investments at fair value through profit or loss/ Other investments, at fair values		
Equity securities:		
– Listed in Hong Kong	65,693	57,379
– Listed in overseas	1,991	3,757
– Unlisted in Hong Kong	8,221	8,203
– Unlisted in overseas	5,142	5,141
	81,047	74,480
Debt securities	5,018	10,686
Equity linked notes	–	8,548
Statement gold	5,985	5,793
	92,050	99,507
Market value of listed securities	67,684	61,136

Notes to the Condensed Financial Statements

For the six months ended 30th June, 2005

23. CREDITORS AND ACCRUED CHARGES

	30th June, 2005 HK\$'000	31st December, 2004 HK\$'000
Trade creditors (aged analysis):		
0 to 60 days	14,570	18,630
61 to 90 days	4,141	4,108
Over 90 days	3,800	5,600
	22,511	28,338
Retentions payable	23,881	18,530
Accrued project costs	122,584	60,670
Other creditors and accrued charges	75,981	114,012
	244,957	221,550

24. AMOUNT DUE TO A RELATED COMPANY

The related company is a subsidiary of one of the Company's substantial shareholders. The amount is unsecured, carries interest at prime rate and is repayable on demand.

25. OTHER BORROWINGS

Included in other borrowings, as at 30th June, 2005, is an amount of HK\$28,302,000 represents the loan from an equity holder of SEICL and is secured by the Group's 6.25% equity interest in SEICL. The loan is interest free and repayable on demand.

Notes to the Condensed Financial Statements

For the six months ended 30th June, 2005

26. BANK LOANS

	30th June, 2005 HK\$'000	31st December, 2004 HK\$'000
The maturity of the unsecured bank loans is as follows:		
Within one year	36,234	9,434
In the second year	11,600	11,600
In the third to fifth year inclusive	17,600	23,400
	65,434	44,434
Less: Amount due within one year shown under current liabilities	36,234	9,434
Amount due after one year	29,200	35,000

Notes to the Condensed Financial Statements

For the six months ended 30th June, 2005

27. ACQUISITION OF SUBSIDIARIES

On 15th June, 2005, Profound Success Limited ("PSL"), a wholly-owned subsidiary of Build King acquired an additional 49% of the issued share capital of Kier Hong Kong Limited ("Kier") at a consideration of HK\$21,775,000. The acquisition has been accounted for by the acquisition method of accounting. Prior to the acquisition, PSL was interested in 49.5% of the issued share capital of Kier. Upon the completion of the acquisition, Kier became a 53.2% owned subsidiary of the Group.

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

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

Notes to the Condensed Financial Statements

For the six months ended 30th June, 2005

27. ACQUISITION OF SUBSIDIARIES (Cont'd)

	HK\$'000
Net cash outflow arising on acquisition	
Cash consideration paid	21,775
Cash and cash equivalent acquired	(15,973)
	<hr/>
	5,802 <hr/>

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

If the acquisition had been completed on 1st January, 2005, total group turnover would have been HK\$375,219,000 and profit for the period would have been HK\$112,082,000. The proforma information is for illustrative purposes only and is not necessarily an indicative turnover and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1st January, 2005 nor is it intended to be a projection of future results.

Notes to the Condensed Financial Statements

For the six months ended 30th June, 2005

27. ACQUISITION OF SUBSIDIARIES (Cont'd)

On 23rd April, 2004, Top Horizon Holdings Limited, a wholly-owned subsidiary of the Company, subscribed for 5,987,000,000 ordinary shares of HK\$0.01 each and 3,000,000,000 convertible preference shares of HK\$0.01 each of Build King. The consideration was satisfied by cash of HK\$29,870,000 and by injection of the Group's interest in Top Tactic Holdings Limited ("Top Tactic") and its subsidiaries. Immediately followed the completion of this transaction, the Group's interest in Top Tactic was reduced by 5.18%. Net assets of Build King acquired on 23rd April, 2004 were as follows:

	<i>HK\$'000</i>
Property, plant and equipment	51
Debtors, deposits and prepayments	302
Creditors and accrued charges	(213)
	140
Goodwill	37,622
	37,762
<hr/>	
SATISFIED BY:	
Cash paid (including expenses related to the acquisition)	35,633
Disposal of partial interest in Top Tactic	2,129
	37,762
<hr/>	

The subsidiaries acquired during the six months ended 30th June, 2004 did not have significant contribution to the Group's turnover, results and cash flows for that period.

Notes to the Condensed Financial Statements

For the six months ended 30th June, 2005

28. COMMITMENTS

	30th June, 2005 HK\$'000	31st December, 2004 HK\$'000
Capital expenditure in respect of the acquisition of property, plant and equipment:		
Contracted for but not provided in the financial statements	2,677	23,705
Authorised but not contracted for	778	5,384
	3,455	29,089

At 30th June, 2005, the Group had committed to invest approximately HK\$12,396,000 into several joint ventures established in the PRC. These joint ventures are principally engaged in property construction and production of construction materials in the PRC.

At 31st December, 2004, the Group had committed to invest approximately HK\$14,798,000 into several joint ventures established in the PRC. These joint ventures are principally engaged in civil engineering and production of construction materials in the PRC.

29. PLEDGE OF ASSETS

Other than disclosed in note 25, as at 30th June, 2005, bank deposits amounting to HK\$6,902,000 of the Group were pledged to secure certain banking facilities granted to the Group.

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

Notes to the Condensed Financial Statements

For the six months ended 30th June, 2005

30. CONTINGENT LIABILITIES

	30th June, 2005	31st December, 2004
	HK\$'000	<i>HK\$'000</i>
Guarantees given to financial institutions in respect of banking and other facilities granted to an associate	—	40,793
Guarantees/counter indemnities given in respect of outstanding tender/performance/retention bonds for construction contracts	113,730	148,041

31. RELATED PARTY TRANSACTIONS

		Six months ended 30th June,	
		2005	2004
	<i>Note</i>	HK\$'000	<i>HK\$'000</i>
Associate			
Value of construction work certified	<i>(a)</i>	13,582	108
Consultancy fee paid	<i>(a)</i>	11,313	—
Compensation of key management personnel			
Short-term employee benefits		5,919	7,293
Post-employment benefits		336	325
		6,255	7,618

Note:

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

EXECUTIVE DIRECTORS

ZEN Wei Pao, William (*Chairman*)
ZEN Wei Peu, Derek (*Vice Chairman*)
CHIU Wai Yee, Anriena

NON-EXECUTIVE DIRECTORS

LAM Wai Hon, Patrick
CHENG Chi Pang, Leslie

INDEPENDENT NON-EXECUTIVE DIRECTORS

WONG Che Ming, Steve
WAN Siu Kau, Samuel
WONG Man Chung, Francis

AUDIT COMMITTEE

WONG Man Chung, Francis (*Chairman*)
WONG Che Ming, Steve
WAN Siu Kau, Samuel

REMUNERATION COMMITTEE

WAN Siu Kau, Samuel (*Chairman*)
ZEN Wei Pao, William
ZEN Wei Peu, Derek
WONG Che Ming, Steve
WONG Man Chung, Francis

AUDITORS

Deloitte Touche Tohmatsu

SOLICITORS

Richards Butler
Conyers, Dill & Pearman

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited
CITIC Ka Wah Bank Limited
Hang Seng Bank Limited

QUALIFIED ACCOUNTANT

WONG Ka Fung

COMPANY SECRETARY

CHIU Wai Yee, Anriena

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STOCK CODE

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