



Wai Kee Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 610)



Construction



Highway



Bio-Technology



Quarry

Interim Report 2006

POSITIVE THINKING ACTIVE PARTICIPATION



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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, 2006.

FINANCIAL PERFORMANCE HIGHLIGHTS

Group turnover and share of turnover of jointly controlled entities	HK\$459 million
Profit attributable to equity holders	HK\$107 million
Basic earnings per share	HK13.46 cents
Interim dividend per share	HK6 cents
Equity attributable to equity holders per share	HK\$3.34

INTERIM DIVIDEND

The Board has resolved to pay an interim dividend of HK6 cents (six months ended 30th June, 2005: HK6 cents) per ordinary share for the six months ended 30th June, 2006 to the shareholders of the Company whose names appear in the Register of Members of the Company on 1st September, 2006.

It is expected that dividend warrants will be sent to the shareholders on or before 15th September, 2006.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Tuesday, 29th August, 2006 to Friday, 1st September, 2006, 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 26th Floor, Tesbury Centre, 28 Queen’s Road East, Hong Kong not later than 4:00 p.m. on Monday, 28th August, 2006.

The Group's unaudited turnover for the six months ended 30th June, 2006 was HK\$301 million (2005: HK\$255 million) and HK\$459 million (2005: HK\$324 million) if including turnover of jointly controlled entities shared by the Group, generating an unaudited consolidated profit attributable to equity holders of HK\$107 million (2005: HK\$105 million). If excluding the effects from the non-operating loss on deemed disposal of partial interest in Road King Infrastructure Limited ("Road King"), an associate of the Group, due to the exercise of share options by Road King's employees and the non-operating income from discount on acquisition of additional interest in Road King as discussed below, the Group's profit attributable to equity holders increased by 46% in comparison with last period.

HIGHWAY AND EXPRESSWAY

For the six months ended 30th June, 2006, Road King contributed a profit of HK\$113 million (2005: HK\$95 million) to the Group. Other than share of Road King's profit, the Group incurred a loss of HK\$18 million (2005: HK\$4 million) on deemed disposal of partial interest in Road King due to the exercise of share options by Road King's employees. On the other hand, the Group recognised an income of HK\$1 million (2005: HK\$24 million) from discount on acquisition of additional interest in Road King. As of the date of this report, the Group owns 46.28% of Road King.

For the six months ended 30th June, 2006, Road King recorded an unaudited profit attributable to equity holders of HK\$248 million (2005: HK\$206 million), an increase of 20% as compared with that in the corresponding period of 2005. The profit was attributed to its toll road business. It is expected that the property development business will contribute profit to Road King in the coming half of 2006.

In April 2006, Road King entered into agreements with the third parties to dispose of its entire interest of Taiyuan Ximing-Gujiao Highway (Class II highway) in Shanxi Province with the consideration of approximately RMB125 million. Enlarging the investment weighting in expressway projects is Road King's direction of development. Road King is now negotiating and scrutinizing for numerous prospective projects.

HIGHWAY AND EXPRESSWAY (Cont'd)

Road King is developing six property projects, three in Guangzhou, Guangdong Province, and three in Changzhou, Jiangsu Province. The construction of one project in Guangzhou will be completed shortly and available for residing this year. Its pre-sales responses were encouraging and around 80% of the residential units were sold. It is expected that profit will be reported in the coming half of this year. The integrated project planning of two connected pieces of land in Guangzhou was completed, and construction works commenced during the period. Construction works of one project in Changzhou commenced and pre-sale of its first phase will be held within the year. The construction works of the other two projects in Changzhou will also begin in the coming half of the year.

On the financial front, Road King's bank balances and cash totalled HK\$776 million and total borrowings were HK\$1.92 billion as at 30th June, 2006. During the reporting period, Road King's total cash receipt from toll road projects was HK\$510 million (2005: HK\$445 million).

CIVIL CONSTRUCTION

The Group's construction sector, Build King Holdings Limited ("Build King") recorded turnover and share of turnover of jointly controlled entities of HK\$439 million (2005: HK\$308 million) and profit attributable to equity holders of HK\$25 million (2005: HK\$17 million) for the six months ended 30th June, 2006, of which the Group's share is HK\$15 million (2005: HK\$10 million). As of the date of this report, the Group owns 54.06% of Build King.

Build King has consistently adopted a strategy to improve works quality, site safety and environmental management. As a result, the performance scores of all its construction subsidiaries with Environment, Transport and Works Bureau were above the industrial average resulting in a competitive advantage in bidding new public work projects. During the first half of 2006, Build King secured seven new construction projects in Hong Kong of total contract sum of HK\$810 million.

Build King's persistent effort to diversify its operations overseas progresses; in the PRC positive results were achieved and the overseas turnover climbed to 15% of its total in the period. Build King's joint venture with Road King, formed last year, has started work on Road King's property development project in Changzhou. The contract value of the first phase of this 7-year project is RMB250 million.

CIVIL CONSTRUCTION (Cont'd)

In the Middle East, Build King has recently entered into a strategic alliance with a major contractor in the UAE based in Abu Dhabi to undertake marine civil engineering works in the UAE. The first project with this UAE contractor has already commenced.

As of the date of this report, Build King had contracts on hand of about HK\$4,098 million, of which about HK\$1,723 million has yet to be completed.

QUARRYING

Turnover of the quarrying division was HK\$18 million for the six months ended 30th June, 2006 (2005: HK\$17 million). As a result of the effort in downsizing and cost cutting in the second half of last year, the quarrying division achieved to contribute profit of HK\$9 million to the Group in the first half of 2006 (2005: loss of HK\$1 million).

As reported in the Company's 2005 Annual Report that the Group is looking for new business opportunities in quarrying or other construction related business in Hong Kong and elsewhere, the Group has just submitted a tender to bid for the Hong Kong Government Contract of Lam Tei Quarry and is now awaiting for the result of the tender.

BIO-TECHNOLOGY

It is a normal practice of the pesticide industry in the PRC 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. Following the prudent approach adopted in last year that no sales revenue will be recognized until the net sale after goods return will have been confirmed with individual customers after completion of the pesticide application period in the second half year, the bio-technology division did not record any turnover for the six months ended 30th June, 2006 (2005: nil). Due to no gross profit contributed from sales turnover during the period, the division recorded a loss of HK\$7 million for the period (2005: HK\$7 million), which mainly comprised of research and development expenses in refining existing products and developing new products, finance costs incurred as well as the expenses incurred by the sales team in expanding distribution network.

BIO-TECHNOLOGY (Cont'd)

In the first half of this year, the bio-technology division recorded amounts of goods ordered and delivered to the customers of about HK\$22 million, which is 10% increase as compared with that of 2005. Significant portion of the goods ordered and delivered is expected to be recognised as sales turnover and then contribute gross profit in the second half of 2006. As a result of the effort in cutting costs, focusing on production and sale of products with higher profit margins as well as more bio-pesticide products being launched, management anticipates an improvement in the division's performance in the second half of 2006.

FUTURE OUTLOOK

The Board continues to explore any new investment that will have synergy with the Group's core businesses. In line with Road King's property development projects, the Board is still studying the feasibility of concrete supply business in the PRC. Nevertheless, 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:

	As at	
	30th June,	31st December,
	2006	2005
	HK\$' million	<i>HK\$' million</i>
Within one year	162	114
In the second year	21	18
In the third to fifth year inclusive	35	35
	218	167

Included in the total borrowings as at 30th June, 2006, 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 equity interest in SEICL. Other than a bank loan of HK\$9.6 million bearing a fixed interest rate, the Group had no other borrowing at fixed interest rate.

As at 30th June, 2006, the Group's cash and bank balances amounted to HK\$82 million, of which HK\$7 million bank deposits were pledged to banks for the purpose of satisfying the terms and conditions of certain construction contracts entered into by the Group. The Group's major cash outflows for the period was the consideration of HK\$27 million paid for acquisition of additional interest in Road King.

The Group recorded finance expenses for the six months ended 30th June, 2006 of HK\$4 million (2005: HK\$1 million).

LIQUIDITY AND FINANCIAL RESOURCES (Cont'd)

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 in listed securities and commodity assets. As at 30th June, 2006, such investments were stated at their fair values in a total amount of HK\$88 million (as at 31st December, 2005: HK\$71 million), all (as at 31st December, 2005: HK\$66 million) of which were investments in Hong Kong listed securities. As at 30th June, 2006, the Group's investment portfolio included market value of HK\$80 million (as at 31st December, 2005: HK\$56 million) held by Build King, of which HK\$32 million (as at 31st December, 2005: HK\$20 million) were pledged to a bank to secure general facilities granted to Build King. For the six months ended 30th June, 2006, the Group recorded a net gain of HK\$25 million (2005: net loss of HK\$3 million) from these investments, being the realised and unrealised profits plus dividend income received.

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. As at 30th June, 2006, the Group had no financial instrument for hedging purpose.

CAPITAL STRUCTURE AND GEARING RATIO

As at 30th June, 2006, the equity attributable to equity holders amounted to HK\$2,646 million, representing HK\$3.34 per share (as at 31st December, 2005: HK\$2,610 million, representing HK\$3.29 per share). Increase in equity attributable to equity holders 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 equity attributable to equity holders, was 5.1% at the balance sheet date.

PLEDGE OF ASSETS

As at 30th June, 2006, apart from the bank deposits pledged to banks for the purpose of satisfying the terms and conditions of certain construction contracts entered into by the Group, the Group's equity interest in SEICL pledged to secure loan from an equity holder of SEICL and certain listed securities pledged to a bank to secure general banking facilities granted to the Group, no other asset of the Group was pledged.

CONTINGENT LIABILITIES

The contingent liabilities of the Group were as follows:

	As at	
	30th June,	31st December,
	2006	2005
	HK\$' million	<i>HK\$' million</i>
Guarantees given to financial institutions in respect of banking facilities granted to a jointly controlled entity	32	—
Guarantees/counter indemnities given in respect of outstanding tender/ performance/retention bonds for construction contracts	107	106
	139	106

DIRECTORS' INTERESTS AND SHORT POSITIONS

As at 30th June, 2006, 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 the issued ordinary share capital (%)
		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	1,000,000 <i>(note 1)</i>	—	0.13

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, 2006, the issued share capital of the Company was 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 the issued ordinary share capital (%)
			Long position	Short position	
Zen Wei Pao, William	Build King Holdings Limited	Personal	2,900,000 (note 1)	—	0.37
	Road King Infrastructure Limited	Personal	7,500,000 (note 2)	—	1.24 (note 3)
	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

Disclosure of Interests

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 the issued ordinary share capital (%)
			Long position	Short position	
Zen Wei Peu, Derek	Build King Holdings Limited	Personal	106,391,421 <i>(note 1)</i>	—	13.62
	Road King Infrastructure Limited	Personal	4,486,000 <i>(note 1)</i>	—	0.75
		Personal	800,000 <i>(note 2)</i>	—	0.13
	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 1)</i>	—	0.11
	Road King Infrastructure Limited	Personal	40,000 <i>(note 1)</i>	—	0.01
		Personal	510,000 <i>(note 2)</i>	—	0.08
Lam Wai Hon, Patrick	Build King Holdings Limited	Personal	140,000 <i>(note 1)</i>	—	0.02
Cheng Chi Pang, Leslie	Build King Holdings Limited	Personal	1,170,000 <i>(note 1)</i>	—	0.15
Wong Che Ming, Steve	Build King Holdings Limited	Personal	311,225 <i>(note 1)</i>	—	0.04

DIRECTORS' INTERESTS AND SHORT POSITIONS (Cont'd)

(II) Associated Corporations (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. 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 "SHARE OPTIONS" below.
3. As at 30th June, 2006, the issued share capital of Road King was 602,594,566 shares. Accordingly, the percentage has been adjusted.

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"). No option was granted under the New Share Option Scheme since its adoption.

Disclosure of Interests

SHARE OPTIONS (Cont'd)

(II) Associated Corporation

The new share option scheme 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. As at 30th June, 2006, Road King has granted 11,950,000 share options under the Road King New Share Option Scheme to three Directors of the Company, 3,140,000 share options of which have been exercised.

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	Balance at 1.1.2006	Number of share options			Balance at 30.6.2006
						Granted during the period	Exercised during the period*	Cancelled during the period	
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
	14th December, 2005	5 years	14th December, 2005 to 13th December, 2010	5.80	2,500,000	—	—	—	2,500,000
Zen Wei Peu, Derek	26th August, 2004	5 years	26th August, 2004 to 25th August, 2009	5.70	1,000,000	—	(1,000,000)	—	—
	14th December, 2005	5 years	14th December, 2005 to 13th December, 2010	5.80	1,300,000	—	(500,000)	—	800,000
Chiu Wai Yee, Anriena	17th October, 2003	5 years	17th October, 2003 to 16th October, 2008	5.15	250,000	—	(40,000)	—	210,000
	26th August, 2004	5 years	26th August, 2004 to 25th August, 2009	5.70	200,000	—	—	—	200,000
	14th December, 2005	5 years	14th December, 2005 to 13th December, 2010	5.80	100,000	—	—	—	100,000
Total					10,350,000	—	(1,540,000)	—	8,810,000

* The weighted average closing price of the shares of Road King immediately before the date on which the share options were exercised was HK\$8.372.

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).

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30th June, 2006, 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	Capacity/ Nature of interest	Number of shares held		Percentage of the issued ordinary share capital (%)
		Long position	Short position	
Cheng Yu Tung Family (Holdings) Limited (note 2)	Corporate	213,868,000 (note 1)	—	26.97
Centennial Success Limited (note 3)	Corporate	213,868,000 (note 1)	—	26.97
Chow Tai Fook Enterprises Limited (note 4)	Corporate	213,868,000 (note 1)	—	26.97
New World Development Company Limited (note 5)	Corporate	213,868,000 (note 1)	—	26.97
NWS Holdings Limited (note 6)	Corporate	213,868,000 (note 1)	—	26.97
NWS Service Management Limited (note 7)	Corporate	213,868,000 (note 1)	—	26.97
NWS Service Management Limited (note 8)	Corporate	213,868,000 (note 1)	—	26.97
Vast Earn Group Limited (note 9)	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. Cheng Yu Tung Family (Holdings) Limited is deemed to be interested in the shares through its interests in its subsidiary, namely Centennial Success Limited.
3. Centennial Success Limited is deemed to be interested in the shares through its interests in its wholly owned subsidiary, namely Chow Tai Fook Enterprises Limited.
4. 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.
5. New World Development Company Limited is deemed to be interested in the shares through its interests in its subsidiary, namely NWS Holdings Limited.
6. NWS Holdings Limited is 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).
7. NWS Service Management Limited (incorporated in the Cayman Islands) is 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).
8. 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.
9. 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 is committed to attaining good standard of corporate governance practices with an emphasis on a quality board, better transparency, and effective accountability system in order to enhance shareholders' value. Detailed disclosure of the Company's corporate governance practices is available in the 2005 Annual Report.

The Company has adopted the code provisions of the Code on Corporate Governance Practices (the "Code") set out in Appendix 14 of the Listing Rules as its own code and has complied with the Code throughout the six months ended 30th June, 2006, with deviations from code provisions A.2.1 and A.4.1 of the Code in respect of the separate role of chairman and chief executive officer, and service term of directors.

Under the code provisions A.2.1 and A.4.1 of the Code, (a) the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and the chief executive officer should be clearly established and set out in writing; and (b) non-executive directors should be appointed for a specific term and subject to re-election.

CODE PROVISION A.2.1

The Chairman of the Board is Mr. William Zen Wei Pao and the Vice Chairman is Mr. Derek Zen Wei Peu. 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 the 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 does not at present have any officer with the title "chief executive officer". However, the Vice Chairman carries out the duties of the chief executive officer 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 the chief executive officer 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 the chief executive officer of the Company.

CODE PROVISION A.4.1

None of the existing Non-executive (including Independent Non-executive) Directors of the Company is appointed for a specific term. This constitutes a deviation from the code provision A.4.1 of the Code. However, all the Directors of the Company are subject to the retirement provisions under Bye-law 87 of the Bye-laws of the Company. 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, 2006.

AUDIT COMMITTEE

The Audit Committee has reviewed with management, internal auditor 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, 2006.

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, 2006.

EMPLOYEES AND REMUNERATION POLICIES

As at 30th June, 2006, the Group had 1,288 employees (as at 31st December, 2005: 1,303 employees), of which 846 (as at 31st December, 2005: 927) were located in Hong Kong, 406 (as at 31st December, 2005: 347) were located in Mainland China, 4 (as at 31st December, 2005: 5) were located in Taiwan and 32 (as at 31st December, 2005: 24) were located in Dubai. For the six months ended 30th June, 2006, the Group's total staff costs were about HK\$111 million.

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

The emoluments of Executive Directors and senior management are to be determined by the Remuneration Committee with reference to salaries paid by comparable companies, time commitment, and responsibilities of the Directors, employment conditions, and prevailing market conditions.

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, 11th August, 2006



**INDEPENDENT REVIEW REPORT
TO THE BOARD OF 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 21 to 44.

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, 2006.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

11th August, 2006

Condensed Consolidated Income Statement

For the six months ended 30th June, 2006

	Notes	Six months ended 30th June,	
		2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Turnover	3	300,604	255,189
Cost of sales		(278,460)	(242,142)
Gross profit		22,144	13,047
Other income	5	48,914	6,910
Distribution costs		(2,449)	(3,630)
Administrative expenses		(51,169)	(64,546)
Finance costs	6	(4,159)	(1,208)
Share of results of associates		112,530	97,109
Share of results of jointly controlled entities		12,591	47,709
Discount on acquisition of additional interests in an associate	7	1,336	24,113
Loss on deemed disposals of partial interest in an associate	8	(18,074)	(3,970)
Profit before taxation	9	121,664	115,534
Income tax expense	10	(3,723)	(3,452)
Profit for the period		117,941	112,082
Attributable to:			
Equity holders of the Company		106,724	104,608
Minority interests		11,217	7,474
Profit for the period		117,941	112,082
Dividends paid	11	71,381	47,588
		HK cents	HK cents
Earnings per share	12		
— Basic		13.46	13.19
— Diluted		13.26	N/A

Condensed Consolidated Balance Sheet

At 30th June, 2006

		30th June, 2006 (Unaudited) <i>HK\$'000</i>	31st December, 2005 (Restated) (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	13	81,418	69,919
Prepaid lease payments on land use rights		5,386	5,419
Intangible assets	14	32,858	32,858
Goodwill	15	35,950	35,950
Interests in associates	16	2,462,778	2,412,533
Interests in jointly controlled entities		51,038	54,154
Available-for-sale investments	17	3,016	3,016
Prepaid royalties	18	6,111	8,340
Finance lease receivables	19	271	660
		2,678,826	2,622,849
Current assets			
Prepaid lease payments on land use rights		114	114
Available-for-sale investments	17	31,149	35,161
Inventories		34,807	21,736
Amount due from customers for contract work		62,779	39,780
Debtors, deposits and prepayments	20	246,852	196,908
Amounts due from associates		1,148	1,146
Amounts due from jointly controlled entities		13,486	3,108
Tax recoverable		3,312	3,035
Held-for-trading investments	21	87,993	65,550
Commodity assets		—	5,267
Prepaid royalties	18	3,084	2,397
Finance lease receivables	19	755	714
Pledged bank deposits	28	6,687	6,687
Bank balances and cash		75,350	118,417
		567,516	500,020
Non-current assets classified as held for sale		5,500	—
		573,016	500,020

Condensed Consolidated Balance Sheet

At 30th June, 2006

	Notes	30th June, 2006 (Unaudited) HK\$'000	31st December, 2005 (Restated) (Audited) HK\$'000
Current liabilities			
Amount due to customers for contract work		4,424	16,161
Creditors and accrued charges	22	245,047	209,801
Amounts due to jointly controlled entities		1,845	4,573
Amounts due to associates		6,104	3,355
Amount due to a related company	23	11,807	11,442
Amounts due to minority shareholders		2,548	2,548
Tax liabilities		5,287	1,472
Other borrowings	24	28,317	28,318
Bank loans	25	117,391	74,215
Bank overdraft		4,390	—
		427,160	351,885
Net current assets		145,856	148,135
Total assets less current liabilities		2,824,682	2,770,984
Non-current liabilities			
Loans from minority shareholders		960	960
Deferred tax liabilities		5,750	5,750
Obligations in excess of interest in associates	26	21,814	22,029
Amounts due to associates		13,439	12,551
Amounts due to jointly controlled entities		4,067	4,067
Other borrowings		17	26
Bank loans	25	56,300	53,400
		102,347	98,783
		2,722,335	2,672,201
Capital and reserves			
Share capital		79,312	79,312
Reserves		2,566,917	2,530,500
Equity attributable to equity holders of the Company		2,646,229	2,609,812
Minority interests		76,106	62,389
Total equity		2,722,335	2,672,201

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June, 2006

	Share capital	Share premium	Translation reserve	Special reserve	Assets revaluation reserve	Revaluation reserve	Retained profits	Total equity attributable to equity holders of the Company	Minority interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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 in prior year	—	—	—	—	—	—	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	—	—	—	—	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 income (expense) recognised directly in equity	—	—	(880)	—	1,514	—	—	634	966	1,600
Profit for the period	—	—	—	—	—	—	104,608	104,608	7,474	112,082
Total recognised income and expense 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
At 1st January, 2006	79,312	731,906	25,381	(29,530)	2,319	—	1,800,424	2,609,812	62,389	2,672,201
Exchange difference arising on translation of foreign operations	—	—	(8)	—	—	—	—	(8)	—	(8)
Share of reserves of associates	—	—	1,751	—	—	(669)	—	1,082	—	1,082
Net income (expense) recognised directly in equity	—	—	1,743	—	—	(669)	—	1,074	—	1,074
Profit for the period	—	—	—	—	—	—	106,724	106,724	11,217	117,941
Total recognised income and expense for the period	—	—	1,743	—	—	(669)	106,724	107,798	11,217	119,015
Capital contribution from minority shareholder	—	—	—	—	—	—	—	—	2,500	2,500
Dividends paid	—	—	—	—	—	—	(71,381)	(71,381)	—	(71,381)
At 30th June, 2006	79,312	731,906	27,124	(29,530)	2,319	(669)	1,835,767	2,646,229	76,106	2,722,335

Condensed Consolidated Cash Flow Statement

For the six months ended 30th June, 2006

	Six months ended	
	30th June,	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash used in operating activities	(62,055)	(46,269)
Investing activities		
Distribution of profits from jointly controlled entities	13,264	27,430
Dividends received from associates	73,724	48,964
Advances to associates	(2)	(15,121)
Advances to jointly controlled entities	(13,106)	(3,663)
Increase in investment in an associate	(27,310)	(47,161)
Net cash outflow on acquisition of subsidiaries	—	(5,802)
Capital contribution to a jointly controlled entity	—	(11,826)
Proceeds from disposal of interest in an associate	—	6,624
Proceeds from disposal of property, plant and equipment	3,999	2,157
Decrease in bank deposits pledged to secure banking facilities	—	12,136
Expenditure on property and plant under construction	(13,287)	—
Purchase of property, plant and equipment	(4,350)	(16,012)
Increase in finance lease receivables	—	(3,556)
Repayment of finance lease receivables	418	850
Other investing activities	426	—
Net cash generated from (used in) investing activities	33,776	(4,980)
Financing activities		
New bank loans raised	67,000	12,000
Other borrowing raised	—	28,302
Repayment of bank loans	(20,924)	—
Dividends paid	(71,381)	(47,588)
Advances from jointly controlled entities	—	7,342
Advances from (repayment to) associates	3,637	(28)
Capital contribution from minority shareholder of a subsidiary	2,500	2,500
Other financing activities	(10)	(135)
Net cash (used in) generated from financing activities	(19,178)	2,393
Net decrease in cash and cash equivalents	(47,457)	(48,856)
Cash and cash equivalents at beginning of the period	118,417	148,068
Cash and cash equivalents at end of the period	70,960	99,212
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	75,350	99,212
Bank overdraft	(4,390)	—
	70,960	99,212

Notes to the Condensed Financial Statements

For the six months ended 30th June, 2006

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 (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with Hong Kong Accounting Standard ("HKAS") 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 on the historical cost basis except for certain financial instruments, which are measured at fair values.

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

In the current interim period, the Group has applied, for the first time, a number of new standards, amendments and interpretations ("new HKFRSs") issued by the HKICPA, which are effective for accounting periods beginning either on or after 1st December, 2005* or 1st January, 2006**.

HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures **
HKAS 21 (Amendment)	Net Investment in a foreign operation **
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions **
HKAS 39 (Amendment)	The Fair Value Option **
HKAS 39 & HKFRS 4 (Amendments)	Financial Guarantee Contracts **
HKFRS 6	Exploration for and Evaluation of Mineral Resources **
HK (IFRIC) — INT 4	Determining whether an Arrangement contains a Lease **
HK (IFRIC) — INT 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds **
HK (IFRIC) — INT 6	Liabilities arising from Participating in a Specific Market — Waste Electrical and Electronic Equipment*

The application of the new HKFRSs has had no material effect on the results and financial positions for the current or prior accounting period except for the application of HKAS 39 (Amendment) *The Fair Value Option*.

Notes to the Condensed Financial Statements

For the six months ended 30th June, 2006

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

Prior to 1st January, 2006, the Group designated certain investment at fair value through profit or loss. The amendment, however, only allows recognising a financial asset or financial liability at fair value through profit or loss when it meets certain conditions. Upon application of this amendment, the Group has reclassified certain equity instruments which do not meet the conditions to be designated at fair value through profit or loss to "available-for-sale investments".

The effect of the changes in accounting policies as a result of the adoption of HKAS 39 (Amendment) *The Fair Value Option* is summarised as follows:

Investments at fair value through profit or loss amounting to HK\$8,203,000 as at 1st January, 2005 were dedesignated and recognised as available-for-sale investments. The amount of the relevant investment as at 31st December, 2005 was HK\$4,503,000.

The application of HKAS 39 (Amendment) *The Fair Value Option* has had no material effect on the results for the current and prior periods. An impairment of the above investment has been recognised in current period and no material fair value gain was recognised in prior accounting period.

The Group has not early applied the following new standards or interpretations that have been issued but are not yet effective. The Company is still not in the position to reasonably estimate the impact that may arise from the application of these standards or interpretations.

HKAS 1 (Amendment)	Capital Disclosures ¹
HKFRS 7	Financial Instruments: Disclosures ¹
HK (IFRIC) — INT 7	Applying the Restatement Approach under HKAS 29 "Financial Reporting in Hyperinflationary Economies" ²
HK (IFRIC) — INT 8	Scope of HKFRS 2 ³
HK (IFRIC) — INT 9	Reassessment of Embedded Derivatives ⁴

¹ Effective for annual periods beginning on or after 1st January, 2007.

² Effective for annual periods beginning on or after 1st March, 2006.

³ Effective for annual periods beginning on or after 1st May, 2006.

⁴ Effective for annual periods beginning on or after 1st June, 2006.

Notes to the Condensed Financial Statements

For the six months ended 30th June, 2006

3. TURNOVER

	Six months ended 30th June,	
	2006 HK\$'000	2005 HK\$'000
Group turnover	300,604	255,189
Share of turnover of jointly controlled entities	158,108	69,277
Group turnover and share of turnover of jointly controlled entities	458,712	324,466
Group turnover analysed by revenue from:		
Civil construction	281,008	238,512
Quarrying	18,287	16,677
Bio-technology	—	—
Others	1,309	—
	300,604	255,189

4. SEGMENTAL INFORMATION

For management purposes, the Group classifies its business into four operating divisions — civil construction, quarrying, bio-technology, 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

Bio-technology

— research, development, production and sale of bio-technology 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, 2006

4. SEGMENTAL INFORMATION (Cont'd)

The Group's turnover and profit for the six months ended 30th June, 2006 and for the six months ended 30th June, 2005 by business segment are as follows:

	Civil construction HK\$'000	Quarrying HK\$'000	Bio- technology HK\$'000	Highway and expressway operations HK\$'000	Others HK\$'000	Elimination HK\$'000	Total HK\$'000
Six months ended 30th June, 2006							
Results							
Group/Segment turnover	281,008	18,287	—	—	1,309	—	300,604
Segment results	19,431	8,804	(5,474)	—	4,412		27,173
Unallocated net expenses							(9,733)
Finance costs							(4,159)
Share of results of associates	215	—	—	113,043	(728)		112,530
Share of results of jointly controlled entities	12,591	—	—	—	—		12,591
Discount on acquisition of additional interest in an associate	—	—	—	1,336	—		1,336
Loss on deemed disposals of partial interest in an associate	—	—	—	(18,074)	—		(18,074)
Profit before taxation							121,664
Income tax expense							(3,723)
Profit for the period							117,941

Notes to the Condensed Financial Statements

For the six months ended 30th June, 2006

4. SEGMENTAL INFORMATION (Cont'd)

	Civil construction HK\$'000	Quarrying HK\$'000	Bio- technology 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)	(6,212)	—	(1,494)	—	(37,132)
Unallocated net 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

There were no inter-segment sales for the six months ended 30th June, 2006.

Notes to the Condensed Financial Statements

For the six months ended 30th June, 2006

5. OTHER INCOME

	Six months ended 30th June,	
	2006	2005
	HK\$'000	HK\$'000
Other income includes the following:		
Interest on bank deposits	426	540
Increase in fair value of held-for-trading investments	21,069	—
Dividend income from held-for-trading investments	993	1,035
Gain on disposal of held-for-trading investments	2,612	385
Gain on disposal of commodity assets	648	—
Gain on disposal of property, plant and equipment	9,534	1,966
Reversal of impairment loss on property, plant and equipment	5,500	—

6. FINANCE COSTS

	Six months ended 30th June,	
	2006	2005
	HK\$'000	HK\$'000
Interest on:		
Bank and other borrowings wholly repayable within five years	4,545	1,198
Imputed interest expense on non-current interest-free loan from an associate	176	—
Amount due to an associate	79	—
Finance lease and sale and leaseback arrangement	1	10
	4,801	1,208
Less: amount capitalised in property and plant under construction	642	—
	4,159	1,208

Notes to the Condensed Financial Statements

For the six months ended 30th June, 2006

7. DISCOUNT ON ACQUISITION OF ADDITIONAL INTEREST IN AN ASSOCIATE

During the period ended 30th June, 2006, the Group acquired in aggregate an additional 0.5% (six months ended 30th June, 2005: 1.4%) of the issued share capital of an associate, Road King Infrastructure Limited ("Road King"), at a consideration of HK\$27,310,000 (six months ended 30th June, 2005: HK\$47,161,000), while the carrying 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\$28,646,000 (six months ended 30th June, 2005: HK\$71,274,000). The excess of the carrying value over the cost of acquisition represents the discount credited to the consolidated income statement for the period.

8. LOSS ON DEEMED DISPOSALS OF PARTIAL INTEREST IN AN ASSOCIATE

During the period, the Group's associate, Road King issued ordinary shares upon exercise of options granted to the employees, including the directors, of Road King under the share option scheme of Road King. As a result, the interest of the Group in Road King was reduced and resulting in a net loss on this dilution in interest.

9. PROFIT BEFORE TAXATION

	Six months ended 30th June,	
	2006	2005
	HK\$'000	HK\$'000
Profit before taxation has been arrived at after charging (crediting):		
Depreciation	5,566	5,793
Less: Amount attributable to construction contracts and inventories	2,752	2,500
	2,814	3,293
Amortisation of prepaid lease payments on land use rights	33	33
Decrease in fair value of held-for-trading investments	—	5,573
Consultancy fee paid to an associate	—	11,313
Impairment loss on available-for-sale investments	4,012	—
Share of tax on results of associates	13,167	8,692
Share of tax on results of jointly controlled entities	1,076	(4,053)

Notes to the Condensed Financial Statements

For the six months ended 30th June, 2006

10. INCOME TAX EXPENSE

	Six months ended 30th June,	
	2006	2005
	HK\$'000	HK\$'000
Current tax for the period		
Hong Kong	3,614	4,515
Other jurisdictions	111	82
(Over) under provision in prior years		
Hong Kong	—	(1,295)
Other jurisdictions	(2)	150
	3,723	3,452

Hong Kong Profits Tax is calculated at 17.5 per cent (six months ended 30th June, 2005: 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.

11. DIVIDENDS

	Six months ended 30th June,	
	2006	2005
	HK\$'000	HK\$'000
Final dividend paid for the year ended		
31st December, 2005: HK9 cents (year ended		
31st December, 2004: HK6 cents) per share	71,381	47,588

An interim dividend for the six months ended 30th June, 2006 of HK6 cents (six months ended 30th June, 2005: HK6 cents) per ordinary share amounting to approximately HK\$47,588,000 was approved by the Board on 11th August, 2006. This interim dividend has not been included as a liability in these condensed financial statements.

Notes to the Condensed Financial Statements

For the six months ended 30th June, 2006

12. EARNINGS PER SHARE

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

	Six months ended 30th June,	
	2006	2005
	HK\$'000	HK\$'000
Earnings for the purpose of basic earnings per share	106,724	104,608
Effect of dilutive potential ordinary shares:		
Decrease in share of profit of an associate arising from exercise of share options issued by that associate	(1,594)	—
Earnings for the purpose of diluted earnings per share	105,130	104,608
	Number of shares	
Weighted average number of ordinary shares for the purposes of basic earnings per share and diluted earnings per share	793,124,034	793,124,034

13. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group invested in approximately HK\$16,995,000 (six months ended 30th June, 2005: HK\$25,295,000) on property, plant and equipment.

Notes to the Condensed Financial Statements

For the six months ended 30th June, 2006

14. INTANGIBLE ASSETS

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

15. GOODWILL

	30th June, 2006 HK\$'000	31st December, 2005 HK\$'000
COST		
At beginning of the period/year	35,950	37,622
Elimination of accumulated amortisation upon the adoption of HKFRS 3	—	(1,672)
At end of the period/year	35,950	35,950
AMORTISATION		
At beginning of the period/year	—	1,672
Elimination of accumulated amortisation upon the adoption of HKFRS 3	—	(1,672)
At end of the period/year	—	—
CARRYING VALUE		
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.

16. INTERESTS IN ASSOCIATES

The amount represents mainly the equity interests in Road King.

Notes to the Condensed Financial Statements

For the six months ended 30th June, 2006

17. AVAILABLE-FOR-SALE INVESTMENTS

	30th June, 2006	31st December, 2005 (Restated)
	HK\$'000	HK\$'000
Unlisted equity securities, at cost	34,474	34,474
Less: Impairment loss recognised	800	800
Unlisted equity securities, at fair value	491	4,503
	34,165	38,177

Classified as:

Non-current available-for-sale investments (note a)	3,016	3,016
Current available-for-sale investments (note b)	31,149	35,161
	34,165	38,177

Notes:

- (a) The above unlisted investments relate to a private entity incorporated in the People's Republic of China (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.
- (b) Included in current available-for-sale investments as at 30th June, 2006 is an amount of HK\$28,302,000 represents 4.41% equity investment in the registered capital of Shanghai Environment Investment Company Limited ("SEICL"), a company established in the PRC. SEICL is an investment holding company whose investment targets are companies undertaking waste management projects in the PRC, including operating incinerators and landfill. The 4.41% equity investment in SEICL is pledged to another equity holder of SEICL to secure a loan of HK\$28,302,000 as disclosed in note 24.

As at 31st December, 2005, 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". 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, 2006

18. PREPAID ROYALTIES

The prepaid royalties are analysed as follows:

	30th June, 2006 HK\$'000	31st December, 2005 HK\$'000
Within one year	3,084	2,397
In the second to fifth year inclusive	40,111	42,340
	43,195	44,737
<i>Less: Allowance</i>	34,000	34,000
	9,195	10,737
<i>Less: Amount recoverable within one year shown under current assets</i>	3,084	2,397
Amount recoverable after one year	6,111	8,340

This amount represents the cost of construction work to be recoverable from the local government of Wanshan, in the PRC, which would 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, in substance it is royalty prepayment. The directors have considered the prospects of the construction industry and 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 was recognised in the income statement in 2004. Additionally, in accordance with directors' best estimation, prepaid royalties expected to be utilised 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, 2006

19. FINANCE LEASE RECEIVABLES

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

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.

The fair value of the finance lease receivables at 30th June, 2006 approximates to the carrying amount of the receivables.

Notes to the Condensed Financial Statements

For the six months ended 30th June, 2006

20. DEBTORS, DEPOSITS AND PREPAYMENTS

	30th June, 2006 HK\$'000	31st December, 2005 HK\$'000
Trade debtors (age analysis):		
0 to 60 days	131,645	104,763
61 to 90 days	—	121
Over 90 days	5,617	8,173
	137,262	113,057
Retentions receivable	27,529	31,867
Other debtors, deposits and prepayments	82,061	51,984
	246,852	196,908

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

The fair value of the debtors and retentions receivable at 30th June, 2006 approximates to the corresponding carrying amount.

21. HELD-FOR-TRADING INVESTMENTS

	30th June, 2006 HK\$'000	31st December, 2005 HK\$'000
Held-for-trading investments at fair values		
Equity securities:		
— Listed in Hong Kong	87,993	65,550
Market value of listed securities	87,993	65,550

The fair values of the above listed equity securities are determined based on the quoted market bid prices available on the relevant exchanges.

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

Notes to the Condensed Financial Statements

For the six months ended 30th June, 2006

22. CREDITORS AND ACCRUED CHARGES

	30th June, 2006 HK\$'000	31st December, 2005 HK\$'000
Trade creditors (age analysis):		
0 to 60 days	40,277	21,872
61 to 90 days	8,187	897
Over 90 days	14,792	7,540
	63,256	30,309
Retentions payable	22,219	22,647
Accrued project costs	88,876	66,546
Other creditors and accrued charges	70,696	90,299
	245,047	209,801

The directors consider the carrying amount of creditors approximate to their fair values.

23. 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.

The directors consider the amount due to a related company approximates to its fair value.

Notes to the Condensed Financial Statements

For the six months ended 30th June, 2006

24. OTHER BORROWINGS

Included in other borrowings as at 30th June, 2006 is an amount of HK\$28,302,000 (as at 31st December, 2005: HK\$28,302,000) represents the loan from an equity holder of SEICL and is secured by the Group's 4.41% equity interest in SEICL. The loan is interest free and repayable on demand.

The directors consider the other borrowings approximates to their fair value.

25. BANK LOANS

	30th June, 2006 HK\$'000	31st December, 2005 HK\$'000
The maturity of the unsecured bank loans is as follows:		
Within one year	117,391	74,215
In the second year	21,200	18,200
In the third to fifth year inclusive	35,100	35,200
	173,691	127,615
Less: Amount due within one year shown under current liabilities	117,391	74,215
Amount due after one year	56,300	53,400
Secured	53,000	18,000
Unsecured	120,691	109,615
	173,691	127,615

The directors consider the carrying amount of bank loans approximates to their fair value.

Notes to the Condensed Financial Statements

For the six months ended 30th June, 2006

26. OBLIGATIONS IN EXCESS OF INTERESTS IN ASSOCIATES

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

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

27. COMMITMENTS

	30th June, 2006 HK\$'000	31st December, 2005 HK\$'000
(a) Capital commitments		
Contracted for but not provided in the financial statements	955	—

(b) Joint venture commitments

At 30th June, 2006, the Group had committed to invest approximately HK\$2,972,000 (as at 31st December, 2005: HK\$2,972,000) 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.

Notes to the Condensed Financial Statements

For the six months ended 30th June, 2006

28. PLEDGE OF ASSETS

Other than disclosed in notes 21 and 24, as at 30th June, 2006, bank deposits amounting to HK\$6,687,000 (as at 31st December, 2005: HK\$6,687,000) of the Group were pledged to banks for the purpose of satisfying the terms and conditions of certain construction contracts entered into by the Group.

29. CONTINGENT LIABILITIES

	30th June, 2006 HK\$'000	31st December, 2005 HK\$'000
Guarantees given to financial institutions in respect of banking facilities granted to a jointly controlled entity	32,250	—
Guarantees/counter indemnities given in respect of outstanding tender/performance/retention bonds for construction contracts	106,540	105,793

Notes to the Condensed Financial Statements

For the six months ended 30th June, 2006

30. RELATED PARTY TRANSACTIONS

	Note	Six months ended 30th June,	
		2006 HK\$'000	2005 HK\$'000
Associates			
Value of construction work certified	(a)	—	13,582
Consultancy fee paid	(a)	—	11,313
Interest paid	(a)	79	—
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Jointly controlled entities			
Management service income		1,657	—
Plant hire income		4,534	—
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Compensation of key management personnel			
Short-term employee benefits		9,700	5,919
Post-employment benefits		313	336
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		10,013	6,255
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Note:

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

The amount due to a related party is set out in the condensed consolidated balance sheet and respective notes.

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTORS

LAM Wai Hon, Patrick
CHU Tat Chi
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*)
WONG Che Ming, Steve
WONG Man Chung, Francis
ZEN Wei Pao, William
ZEN Wei Peu, Derek

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
The Bank of East Asia, Limited

QUALIFIED ACCOUNTANT

CHAN Po Chak

COMPANY SECRETARY

CHIU Wai Yee, Anriena

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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Bermuda

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26th Floor, Tesbury Centre
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STOCK CODE

The Stock Exchange of Hong Kong Limited – 610