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If you have sold or transferred all your shares in Build King Holdings Limited, you should at once hand this circular to the purchaser or transferee, or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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MAJOR TRANSACTION

FORMATION OF A JOINT VENTURE COMPANY

Financial adviser to Build King Holdings Limited



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DEFINITIONS

In this circular, the following expressions have the following meanings unless the context requires otherwise:

“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Company”	Build King Holdings Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Stock Exchange
“connected person(s)”	has the meanings ascribed thereto in the Listing Rules
“Director(s)”	director(s) of the Company
“Franchise Agreement”	the franchise agreement to be entered into by the JV and PGWX in relation to the sewage treatment plant
“Group”	the Company and its subsidiaries
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“JV”	a sino-foreign cooperative joint venture company, currently proposed to be named as 無錫錢惠污水處理有限公司 (Wu Xi Qian Hui Sewage Treatment Co., Limited), to be established in the PRC pursuant to the JV Agreements
“JV Agreements”	the investment agreement entered into between PGWX and WKCCCL and joint venture agreement entered into between WKCCCL and the JV Partners, both dated 14 April 2005, in relation to the establishment of the JV to engage in the Wuxi Project
“JV Partners”	無錫市錢橋污水處理有限公司 (Wu Xi Qian Qiao Sewage Treatment Company Limited) and 無錫惠山錢橋經濟發展有限公司 (Wu Xi Hui Shan Qian Qiao Economic Development Company Limited), both companies were registered under the State Administration for Industry & Commerce in Hui Shan District, Wu Xi City, Jiang Su Province, the PRC with limited liability
“Latest Practicable Date”	3 May 2005, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“PGWX”	無錫市惠山區錢橋鎮人民政府 (People’s Government of Qian Qiao Zhen, Hui Shan District, Wu Xi City)

DEFINITIONS

“PRC”	People’s Republic of China excluding, for the purpose of this circular only, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“SFO”	Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the ordinary share(s) of HK\$0.10 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Wai Kee”	Wai Kee Holdings Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Main Board of the Stock Exchange
“WKCCCL”	Wai Kee China Construction Company Limited, a company incorporated in Hong Kong with limited liability and a wholly owned subsidiary of the Company
“Wuxi Project”	Project relating to the construction, operation and transfer of a sewage treatment plant under the Franchise Agreement in Hui Shan District, Wu Xi City, Jiang Su Province, the PRC
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC, and the exchange rate for RMB into HK\$ for the purpose of this circular is RMB1.06=HK\$1.00
“%”	per cent.

LETTER FROM THE BOARD



Directors:

Zen Wei Peu, Derek (*Chairman*)
Yu Sai Yen (*Vice Chairman*)
David Howard Gem[#]
Cheng Chi Pang, Leslie[#]
Chow Ming Kuen, Joseph^{*}
Ng Chi Ming, James^{*}
Ho Tai Wai, David^{*}

[#] *Non-executive Director*

^{*} *Independent Non-executive Director*

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6 May 2005

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION FORMATION OF A JOINT VENTURE COMPANY

INTRODUCTION

On 14 April 2005, the Board announced that WKCCL entered into the JV Agreements respectively with PGWX and the JV Partners, pursuant to which WKCCL and the JV Partners agreed to invest RMB42.68 million (equivalent to approximately HK\$40.26 million) and RMB2 million (equivalent to approximately HK\$1.89 million), respectively in the JV. Pursuant to the JV Agreements, WKCCL and the JV Partners will be interested in approximately 95.6% and approximately 4.4% of the equity interest in the JV respectively.

The transaction contemplated under the JV Agreements constitutes a major transaction for the Company under the Listing Rules as the Company's contribution under the JV Agreements exceeds 25% of the average market capitalisation of the Company for the five business days immediately preceding the date of the JV Agreements and is therefore subject to the approval of the Shareholders at a general meeting. The Directors confirm that, to the best of their knowledge, no Shareholder is required to abstain from voting if the Company convenes a general meeting for the approval of the JV Agreements. The

LETTER FROM THE BOARD

Company has received a written approval from Top Horizon Holdings Limited, the controlling shareholder of the Company which is interested in approximately 63.22% of the issued share capital of the Company as at the Latest Practicable Date, in lieu of holding a general meeting for this transaction.

The purpose of this circular is to provide your further information regarding the JV Agreements.

THE JV AGREEMENTS

Date

14 April 2005

Parties

- (a) WKCCL;
- (b) PGWX; and
- (c) the JV Partners, who are jointly and severally liable on terms and conditions stipulated under the JV Agreements.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, each of PGWX, and the JV Partners and their respective beneficial owners are independent of and not connected with the Company or its subsidiaries, or any of the connected persons of the Company and their respective associates.

Scope of business of the JV

Pursuant to the JV agreements, the JV will be engaged in the construction and operation of a sewage treatment plant in Qian Qiao Zhen, Hui Shan District, Wu Xi City, Jiang Su Province, the PRC under a Franchise Agreement to be entered with PGWX with acceptable terms and conditions for a term of 30 years. The sewage treatment plant shall be transferred to PGWX upon completion. It is currently expected that the Franchise Agreement will be signed within two months after the JV has obtained the business licence.

Service coverage of the sewage treatment plant shall primary include the industrial and domestic users in Qian Qiao Zhen, Hui Shan District, Wu Xi City and the sewage treatment plant is expected to process up to approximately 20,000 tons of sewage per day in the medium to long term. WKCCL has estimated that industrial factories and general public in Qian Qiao Zhen currently generate an aggregate of approximately 19,000 tons of sewage per day.

Pursuant to the JV Agreements, construction cost of the sewage treatment plant is estimated to be approximately RMB44 million (equivalent to approximately HK\$42 million). It is anticipated that construction work of the sewage treatment plant shall be completed one year upon signing of the Franchise Agreement and the sewage treatment plant shall commence operation thereafter. As at the Latest Practicable Date, the JV has not finalised the tendering procedures for the selection of construction contractors. The Group is currently evaluating the feasibility of submitting tender proposal.

LETTER FROM THE BOARD

It is expected that principal terms of the Franchise Agreement will be the same as those of the JV Agreements. Further announcement will be made by the Company in the event that the Franchise Agreement contains different major terms to those of the JV Agreements.

Registered capital of the JV

The registered capital of the JV will be RMB44.68 million (equivalent to approximately HK\$42.15 million), of which RMB2 million (equivalent to approximately HK\$1.89 million) will be contributed by the JV Partners by way of contribution in kind (including but not limited to fees for design, feasibility study and production at the preliminary stage of construction of the sewage treatment plant) and the remaining RMB42.68 million (equivalent to approximately HK\$40.26 million) will be contributed by WKCCCL in cash, both within three months from the issuance date of the business licence of the JV. The Directors currently expect that the JV shall be able to obtain the business licence before the end of August 2005.

On the date of signing the JV Agreements, WKCCCL provided a bank guarantee of RMB2 million (equivalent to approximately HK\$1.89 million) to PGWX for a period up to two months from the commencement of the Wuxi Project. Save as disclosed, there is no other capital commitment, guarantee or indemnity required from the Group under the JV Agreements.

Upon establishment of the JV, it will be considered as an indirect non wholly owned subsidiary of the Company. The results of the JV will therefore be consolidated into the Company's accounts.

Board composition and management of the JV

The board of directors of the JV will consist of three directors. Two are to be nominated by WKCCCL and one of whom shall be the chairman of the JV. One is to be nominated by the JV Partners and shall be the vice chairman of the JV.

As the JV will be considered as a subsidiary of WKCCCL, WKCCCL will participate in the management of the JV. Pursuant to the JV Agreements, the general manager and one of the two deputy general managers of the JV will be nominated by WKCCCL.

Other major terms of the JV Agreements

Set out below are the other major terms of the JV Agreements:

- The JV shall have a term of 30 years commencing from the issuance date of the business licence of the JV.
- The JV Partners have agreed not to share any profit generating from the operation of the sewage treatment plant for the first five years and WKCCCL will therefore be entitled to receive 100% of the profit from the operation of the sewage treatment plant during such period. The JV Partners and WKCCCL will be entitled to share the profit generating from the operation of the sewage treatment plant in accordance with their contribution to the registered capital of the JV (i.e. 4.4% and 95.6% respectively) thereafter.

LETTER FROM THE BOARD

REASONS FOR ENTERING INTO THE JV AGREEMENTS

The JV Partners are companies registered under the State Administration for Industry & Commerce in Hui Shan, Wu Xi City, Jiang Su Province, the PRC with limited liability. 無錫市錢橋污水處理有限公司 (Wu Xi Qian Qiao Sewage Treatment Company Limited) is principally engaged in the management of sewage treatment related businesses in the PRC and 無錫惠山錢橋經濟發展有限公司 (Wu Xi Hui Shan Qian Qiao Economic Development Company Limited) is principally engaged in the development, investment and management of industrial parks and related facilities in the PRC.

The Group is principally engaged in the undertaking of civil engineering projects in Hong Kong, the PRC and Taiwan. As stated in the annual report of the Company for the year ended 31 December 2004, the Group intends to continue to explore new business opportunities in the PRC, the Middle East and Taiwan on both construction work and environment infrastructure projects as the prospects in Hong Kong is limited for the remaining of this year. The Directors believe that with good reputation and strong management of the Group, these markets will provide opportunities for future growth thereby moving towards its long term objective of profitable growth. The JV Agreements could provide an opportunity for the Group to invest in the sewage treatment sector in the PRC in order to enlarge the geographical coverage of its operation. In addition, with the increase of awareness in environmental education and protection in the PRC, the Directors are of the view that the JV could provide a steady cash inflow to the Group in the medium term so as to increase the source of income for the Group based on the general performance of the sewage treatment industry in the PRC. The transaction contemplated under the JV Agreements has no effect to the earnings and net assets positions of the Group.

GENERAL

The transaction contemplated under the JV Agreements constitutes a major transaction for the Company under the Listing Rules as the Company's contribution under the JV Agreements exceeds 25% of the average market capitalisation of the Company for the five business days immediately preceding the date of the JV Agreements and is therefore subject to the approval of the Shareholders at a general meeting. The Directors confirm that, to the best of their knowledge, no Shareholder is required to abstain from voting if the Company convenes a general meeting for the approval of the JV Agreements. The Company has received a written approval from Top Horizon Holdings Limited, the controlling shareholder of the Company which is interested in 494,021,270 Shares, representing approximately 63.22% of the issued share capital of the Company as at the Latest Practicable Date, in lieu of holding a general meeting for this transaction.

RECOMMENDATION

The Directors consider that the terms of the JV Agreements are fair and reasonable so far as the Company and the Shareholders are concerned and are in the interests of the Shareholders as a whole.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
By order of the Board
Build King Holdings Limited
Zen Wei Peu, Derek
Chairman

1. SUMMARY OF FINANCIAL INFORMATION

The following is a summary of the profits and losses and the assets and liabilities of the Group for nine months ended 31 December 2002 and each of the two years ended 31 December 2004 as extracted from the annual report of the Group for the year ended 31 December 2004 and the circular of the Company dated 24 February 2004:

RESULTS

	Nine months ended 31 December 2002 HK\$'000	Year ended 31 December 2003 HK\$'000	2004 HK\$'000
TURNOVER			
Group and share of jointly controlled entities	1,047,359	1,207,255	740,762
Less: Share of jointly controlled entities	523,707	566,500	372,031
Group turnover	523,652	640,755	368,731
Operating (loss) profit			
Company and subsidiaries	(31,223)	(50,199)	(97,708)
Share of results of jointly controlled entities	35,550	98,722	175,914
Profit from operations	4,327	48,523	78,206
Finance costs	(1,314)	(2,196)	(195)
Share of results of associates less goodwill amortised	871	942	904
Amortisation of goodwill of subsidiaries	–	–	(1,421)
Profit before taxation	3,884	47,269	77,494
Income tax credit (expense)	7,963	(14,210)	(21,935)
Profit before minority interests	11,847	33,059	55,559
Minority interests	(2,593)	(8,666)	(5,387)
Profit for the year	9,254	24,393	50,172

FINANCIAL POSITION

	2002 HK\$'000	As at 31 December 2003 HK\$'000	2004 HK\$'000
Non-current assets	120,169	111,373	140,833
Current assets	363,903	310,351	270,213
Current liabilities	(381,801)	(302,018)	(237,260)
Non-current liabilities	(55,545)	(56,229)	(57,229)
Minority interests	(6,168)	317	(5,450)
Shareholders' funds	40,558	63,794	111,107

2. EXTRACT OF FINANCIAL STATEMENTS

The following is an extract of the financial statements of the Group for the year ended 31 December 2004 together with the notes thereto:

Consolidated Income Statement

For the year ended 31 December 2004

	<i>Notes</i>	1.1.2004 to 31.12.2004 <i>HK\$'000</i> <i>(Note 3)</i>	1.1.2003 to 31.12.2003 <i>HK\$'000</i> <i>(Note 3)</i>
Group turnover and share of turnover of jointly controlled entities		740,762	1,207,255
Less: Share of turnover of jointly controlled entities		<u>372,031</u>	<u>566,500</u>
Group turnover	5	368,731	640,755
Cost of sales		<u>(392,459)</u>	<u>(596,067)</u>
Gross (loss) profit		(23,728)	44,688
Other operating income	7	17,123	2,145
Administrative expenses		(91,103)	(77,032)
Provision for piling incident	26	–	(20,000)
Share of results of jointly controlled entities		<u>175,914</u>	<u>98,722</u>
Profit from operations	8	78,206	48,523
Finance costs	9	(195)	(2,196)
Share of results of associates		1,433	1,472
Amortisation of goodwill of an associate		(529)	(530)
Amortisation of goodwill of subsidiaries		<u>(1,421)</u>	<u>–</u>
Profit before taxation		77,494	47,269
Income tax expense	12	<u>(21,935)</u>	<u>(14,210)</u>
Profit before minority interests		55,559	33,059
Minority interests		<u>(5,387)</u>	<u>(8,666)</u>
Profit for the year		<u><u>50,172</u></u>	<u><u>24,393</u></u>
Dividends and distributions			
Distribution prior to group restructuring	3	<u>22,000</u>	<u>–</u>
To the holders of 2% convertible preference shares		<u>200</u>	<u>–</u>
Earnings per share	13	<i>HK cents</i>	<i>HK cents</i>
– Basic		<u>6.9</u>	<u>4.1</u>
– Diluted		<u>6.1</u>	<u>N/A</u>

Consolidated Balance Sheet*As at 31 December 2004*

	<i>Notes</i>	31.12.2004 <i>HK\$'000</i> <i>(Note 3)</i>	31.12.2003 <i>HK\$'000</i> <i>(Note 3)</i>
Non-current assets			
Property, plant and equipment	14	25,324	25,082
Goodwill	15	30,554	–
Interests in associates	18	4,535	3,631
Interests in joint ventures	19	52,118	45,736
Investments in securities	20	28,302	36,924
		<u>140,833</u>	<u>111,373</u>
Current assets			
Amount due from customers for contract work	21	33,190	43,099
Debtors, deposits and prepayments	22	81,586	159,771
Amount due from immediate holding company	23	–	3,490
Amount due from a fellow subsidiary	23	1,363	6,393
Amounts due from associates	24	14,809	12,363
Amounts due from jointly controlled entities		2,964	10,561
Investments in securities	20	55,430	–
Income tax recoverable		9,985	2,820
Bank deposits pledged	37	19,038	54,494
Bank balances and cash		51,848	17,360
		<u>270,213</u>	<u>310,351</u>
Current liabilities			
Amount due to customers for contract work	21	10,035	18,844
Creditors and accrued charges	25	157,631	166,306
Other payable	26	–	70,000
Amount due to an intermediate holding company		3,710	–
Amount due to immediate holding company		–	1,003
Amounts due to fellow subsidiaries		606	221
Amounts due to jointly controlled entities		28,270	14,202
Amounts due to minority shareholders		2,794	2,794
Ordinary share dividend payable to intermediate holding company		22,000	–
Preference share dividend payable to immediate holding company		200	–
Income tax liabilities		12,014	8,511
Bank loans - due within one year	27	–	16,000
Bank overdrafts, secured		–	4,137
		<u>237,260</u>	<u>302,018</u>
Net current assets		<u>32,953</u>	<u>8,333</u>
Total assets less current liabilities		<u>173,786</u>	<u>119,706</u>

Consolidated Balance Sheet (Continued)
As at 31 December 2004

	<i>Notes</i>	31.12.2004 <i>HK\$'000</i> <i>(Note 3)</i>	31.12.2003 <i>HK\$'000</i> <i>(Note 3)</i>
Minority interests		5,450	(317)
Non-current liabilities			
Amounts due to associates	28	33,159	33,159
Amounts due to jointly controlled entities	29	4,070	23,070
Bank loan – due after one year	27	20,000	–
		57,229	56,229
		<u>111,107</u>	<u>63,794</u>
Capital and reserves			
Ordinary share capital/Paid-in capital	30	78,141	7,808
Convertible preference share capital	31	15,000	–
Reserves		17,966	55,986
		<u>111,107</u>	<u>63,794</u>

Balance Sheet*As at 31 December 2004*

	<i>Notes</i>	31.12.2004 <i>HK\$'000</i>	31.3.2004 <i>HK\$'000</i>
Non-current assets			
Long term deposits	16	–	–
Interests in subsidiary	17	60,000	–
		<u>60,000</u>	<u>–</u>
Current assets			
Debtors, deposits and prepayments		88	53
Amounts due from subsidiaries		19,673	–
Bank balances and cash		162	5
		<u>19,923</u>	<u>58</u>
Current liabilities			
Creditors and accrued charges		41	167,087
Amounts due to subsidiaries	32	1,643	9,347
Amount due to immediate holding company		36	–
Preference share dividend payable to immediate holding company		200	–
Amounts due to former associates	33	–	5,401
Amounts due to former directors		–	7,361
Income tax payable		–	383
Bank loans - due within one year	27	–	411,383
		<u>1,920</u>	<u>600,962</u>
Net current assets (liabilities)		<u>18,003</u>	<u>(600,904)</u>
Total assets less current liabilities		78,003	(600,904)
Non-current liabilities			
Bank loans – due after one year	27	20,000	–
		<u>58,003</u>	<u>(600,904)</u>
Capital and reserves			
Share capital	30	78,141	5,083
Convertible preference share capital	31	15,000	–
Reserves	34	(35,138)	(605,987)
		<u>58,003</u>	<u>(600,904)</u>

Consolidated Statement of Changes in Equity*For the year ended 31 December 2004*

	Ordinary share capital/ paid-in capital <i>HK\$'000</i> <i>(Note 3)</i>	Convertible preference share capital <i>HK\$'000</i> <i>(Note 3)</i>	Translation reserve <i>HK\$'000</i> <i>(Note 3)</i>	Special reserve <i>HK\$'000</i> <i>(Note 3)</i>	Retained profits <i>HK\$'000</i> <i>(Note 3)</i>	Total <i>HK\$'000</i> <i>(Note 3)</i>
At 1 January 2003	7,808	–	2,705	–	30,045	40,558
Exchange difference arising on translation of the financial statements of overseas operations not recognised in the consolidated income statement	–	–	(1,157)	–	–	(1,157)
Profit for the year	–	–	–	–	24,393	24,393
At 31 December 2003	7,808	–	1,548	–	54,438	63,794
Issue of convertible preference shares	–	30,000	–	–	–	30,000
Paid-in capital eliminated on reverse acquisition of the Company	(7,808)	–	–	–	–	(7,808)
Adjustment in share capital on reverse acquisition of the Company (<i>notes 30(b)</i> <i>and 30(c)</i>)	63,141	–	–	(63,141)	–	–
Conversion of preference shares during the year (<i>note 30(d)</i>)	15,000	(15,000)	–	–	–	–
Exchange difference arising on translation of the financial statements of overseas operations not recognised in the consolidated income statement	–	–	(2,851)	–	–	(2,851)
Profit for the year	–	–	–	–	50,172	50,172
Dividends	–	–	–	–	(22,200)	(22,200)
At 31 December 2004	<u>78,141</u>	<u>15,000</u>	<u>(1,303)</u>	<u>(63,141)</u>	<u>82,410</u>	<u>111,107</u>

Consolidated Cash Flow Statement*For the year ended 31 December 2004*

	1.1.2004 to 31.12.2004	1.1.2003 to 31.12.2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Note 3)</i>	<i>(Note 3)</i>
Operating activities		
Profit from operations	78,206	48,523
Adjustments for:		
Share of results of jointly controlled entities	(175,914)	(98,722)
Depreciation	4,040	3,330
Loss (gain) on disposal of property, plant and equipment	262	(6)
Impairment loss on property, plant and equipment	–	5,010
Gain on disposal of investment in securities	(932)	–
Unrealised gain on revaluation of investments in securities	(4,550)	–
Dividend income from investment in securities	(1,396)	–
Interest on bank deposits	(171)	(59)
Interest on other receivables	(27)	(114)
Write off of negative goodwill arising upon conversion of preference shares	(385)	–
Provision for piling incident	–	20,000
Operating cash flows before movements in working capital	(100,867)	(22,038)
Decrease in amount due from customers for contract work	10,811	825
Decrease in debtors, deposits and prepayments and loans receivable	78,487	37,728
(Decrease) increase in amount due to customers for contract work	(8,809)	685
Decrease in creditors and accrued charges	(8,888)	(2,529)
Decrease in other payable	(70,000)	(10,000)
Exchange realignment	(3,542)	(1,157)
Cash (used in) generated from operations	(102,808)	3,514
Interest on bank deposits received	171	59
Interest on other receivables received	27	114
Interest paid	(195)	(2,196)
Income taxes paid	(27,234)	(5,387)
Net cash used in operating activities	(130,039)	(3,896)

Consolidated Cash Flow Statement (Continued)*For the year ended 31 December 2004*

	1.1.2004 to 31.12.2004 <i>HK\$'000</i> <i>(Note 3)</i>	1.1.2003 to 31.12.2003 <i>HK\$'000</i> <i>(Note 3)</i>
Investing activities		
Dividend received from investment in securities	1,396	–
Distribution of profits from jointly controlled entities	171,356	105,656
Proceeds from disposal of property, plant and equipment	2,409	173
(Advances to) repayment from associates	(2,446)	9,701
Repayment of (advances to) jointly controlled entities	7,597	(6,533)
Purchase of property, plant and equipment	(7,300)	(354)
Purchase of investments in securities	(45,747)	(36,924)
Decrease (increase) in pledged bank deposits	35,456	(13,452)
Proceeds from disposal of investments in securities	4,421	–
Repayment by immediate holding company	3,490	43,651
Repayment by fellow subsidiaries	5,030	–
Net cash generated from investing activities	175,662	101,918
Financing activities		
New bank loans raised	20,000	–
Repayment to associates	–	(19,960)
Advances from (repayment to) intermediate holding company	3,710	(69,424)
Repayment of bank loans	(16,000)	(14,000)
Dividends paid to minority shareholders	(1,350)	(15,150)
(Repayment to) advances from jointly controlled entities	(4,932)	32,990
Repayment to immediate holding company	(8,811)	–
Advances from (repayment to) fellow subsidiaries	385	(27,587)
Repayment to ultimate holding company	–	(958)
Net cash used in financing activities	(6,998)	(114,089)
Increase (decrease) in cash and cash equivalents	38,625	(16,067)
Cash and cash equivalents at beginning of the year	13,223	29,290
Cash and cash equivalents at end of the year	51,848	13,223
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	51,848	17,360
Bank overdrafts	–	(4,137)
	51,848	13,223

Notes to the Financial Statement*For the year ended 31 December 2004***1. GENERAL**

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Stock Exchange. The Directors consider Wai Kee, also incorporated in Bermuda as an exempted company with limited liability and its share being listed on the Stock Exchange, as the Company's ultimate holding company.

The Company acts as an investment holding company. The principal activities of its principal subsidiaries, associates and jointly controlled entities are set out in notes 41, 18 and 19 respectively.

Share of turnover of jointly controlled entities is disclosed in the consolidated income statement so as to provide additional information in respect of the financial position and financial performance of the Group. The information provided is solely for internal purpose.

2. GROUP RESTRUCTURING

Pursuant to a restructuring agreement signed on 20 November 2003 (the "Restructuring Agreement"), the former provisional liquidator of the Company entered into a restructuring proposal with Wai Kee. The Restructuring Agreement was completed on 23 April 2004 and the following transactions of the Agreement have been taken place:

- (a) The authorised share capital of the Company was effectively increased from HK\$80,000,000 to HK\$200,000,000 divided into ordinary shares of HK\$170,000,000 and preference shares of HK\$30,000,000 and the issued and fully paid-up capital were effectively consolidated from 508,339,764 issued shares of HK\$0.0025 each into 127,084,941 issued new shares of HK\$0.01 each.
- (b) The creditors of the Company discharged and waived all their claims against the Company through debt restructuring scheme.
- (c) All the subsidiaries of the Company other than Trinity Rent-A-Car Limited were transferred to the former Provisional Liquidator or Scheme's administrator and shall be held on trust of the Company's creditors.
- (d) On 23 April 2004, the Company issued 5,987,000,000 ordinary shares of HK\$0.01 each and 3,000,000,000 convertible preference shares of HK\$0.01 each to Top Horizon Holdings Limited ("Top Horizon"), which is a wholly owned subsidiary of Wai Kee, at a total consideration of HK\$89,870,000. The consideration was satisfied by cash of HK\$29,870,000 and by injection of Top Tactic Holdings Limited ("Top Tactic") and its subsidiaries (collectively "Top Tactic Group") valued at HK\$60,000,000. Top Tactic was a then wholly owned subsidiary of Top Horizon.

Upon completion, the Company obtained the entire equity interest of Top Tactic Group. The Company, Trinity Rent-A-Car Limited and Top Tactic Group were collectively known as the Combined Enterprise.

Details of the restructuring proposals are set out in a circular jointly released by former provisional liquidator and Wai Kee dated 24 February 2004.

3. BASIS OF PREPARATION

As set out in note 2(d), the Company obtained ownership of Top Tactic by the issuance of the voting shares as consideration and has resulted the control of the Combined Enterprise being transferred to Top Horizon. Under accounting principles generally accepted in Hong Kong, the transactions were accounted for as a reverse acquisition. Top Tactic was treated as the acquirer and the Company and its subsidiaries immediately before the issue of the voting shares (the “Former I-China Group”) were deemed to have been acquired by Top Tactic.

Top Tactic applied the acquisition method to account for the acquisition of the Former I-China Group. In applying the acquisition method, the identifiable assets and liabilities of the Former I-China Group were recorded on the balance sheet of the Combined Enterprise at their fair values at 23 April 2004. Goodwill arising on acquisition was determined as the excess of the purchase consideration deemed to be incurred by Top Tactic over the fair value of the separable assets and liabilities of the Former I-China Group at 23 April 2004. Net assets acquired were as follows:

	<i>HK\$'000</i>
Property, plant and equipment	51
Debtors, deposits and prepayments	302
Creditors and accrued charges	(213)
	<u>140</u>
Goodwill (<i>note 15</i>)	31,975
	<u>32,115</u>
Total consideration	<u>32,115</u>
Satisfied by:	
Net assets of a subsidiary transferred to minority interests	2,115
Issue of preference shares (<i>note</i>)	30,000
	<u>32,115</u>

Note: The proceeds from the issue of the preference shares were applied to settle the creditors of the Former I-China Group amounting to HK\$22,000,000 and the restructuring cost and expenses amounting to HK\$7,795,000 in relation to the implementation of the Restructuring Agreement immediately before the transfer of control of the Former I-China Group to Top Tactic.

A dividend of HK\$22,000,000 was declared by Top Tactic prior to the completion of the restructuring (“Completion”) but the payment of this will not be made until 12 months after Completion and unless the Directors of the Company, when deciding to make the payment of such dividend, have consulted their financial advisers and are satisfied that the Group will remain solvent for at least 12 months after the payment.

The Company’s financial year end date was also changed from 31 March to 31 December to align with that of Wai Kee.

4. SIGNIFICANT ACCOUNTING POLICIES

In 2004, the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) issued a number of new or revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards (herein collectively referred to as “new HKFRSs”) which are effective for accounting periods beginning on or after 1 January 2005. The Company has not early adopted these new HKFRSs in the financial statements for the year ended 31 December 2004.

The Company has commenced considering the potential impact of these new HKFRSs but is not yet in a position to determine whether these new HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented. These new HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The financial statements have been prepared under the historical cost convention as modified for the revaluation of certain investments in securities. The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards, which includes Statements of Standard Accounting Practice and Interpretations issued by HKICPA, and accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

All significant intercompany transactions and balances within the Group have been eliminated on consolidation.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective dates of acquisition or up to the effective dates of disposal, as appropriate.

Goodwill

Goodwill arising on consolidation represents the excess of the purchase consideration over the fair value of the Group's share of the identifiable assets and liabilities of subsidiaries, associates or jointly controlled entities at the date of acquisition. Goodwill is recognised as an asset in the consolidated balance sheet and amortised on a straight-line basis over its estimated useful life.

Goodwill arising on the acquisition of associates or jointly controlled entities is included within the carrying amount of the associates or jointly controlled entities. Goodwill arising on the acquisition of subsidiaries is presented separately in the consolidated balance sheet.

Negative goodwill

Negative goodwill represents the excess of the fair value of the Group's share of the identifiable assets and liabilities of subsidiaries, associates or jointly controlled entities at the date of acquisition over the cost of acquisition. Negative goodwill will be released to income based on an analysis of the circumstances from which the balance resulted.

Negative goodwill arising on the acquisition of subsidiaries is presented separately in the consolidated balance sheet as a deduction from assets.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss. Results of subsidiaries are accounted for by the Company on the basis of dividends received or receivable during the year.

Revenue recognition

When the outcome of a construction contract can be estimated reliably, revenue from fixed price construction contracts is recognised on the percentage of completion method, measured by reference to the value of work performed during the year.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

Interest income is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable.

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

Rental income, including rental invoiced in advance from properties let under operating leases, is recognised on a straight line basis over the terms of the relevant leases.

4. SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any identified impairment loss. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use.

The gain or loss arising from disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives, using the straight-line method, at the following rates per annum:

Leasehold improvements	33 $\frac{1}{3}$ % or over the terms of the relevant leases, whichever is shorter
Plant and machinery	10% – 25%
Furniture, fixtures and equipment	25%
Motor vehicles	25%
Vessels	10% – 15%

Interests in associates

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates plus goodwill and less negative goodwill on acquisition in so far as it has not already been written off or amortised or released to income, and less any identified impairment loss.

Jointly controlled entities

Joint venture arrangements which involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities.

The Group's share of post-acquisition results of jointly controlled entities is included in the consolidated income statement. The Group's interests in jointly controlled entities are included in the consolidated balance sheet at the Group's share of net assets of the jointly controlled entities plus goodwill and less negative goodwill on acquisition in so far as it has not already been written off or amortised or released to income, and less any identified impairment loss.

Construction contracts

When the outcome of a construction contract can be estimated reliably, contract costs are charged to the income statement by reference to the stage of completion of the contract activity at the balance sheet date on the same basis as the contract revenue recognised.

When it is probable that the total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

Construction contracts in progress at the balance sheet date are recorded in the balance sheet at the net amount of costs incurred plus recognised profits less recognised losses and progress billings, and are presented in the balance sheet as "Amount due from customers for contract work" or "Amount due to customers for contract work", as appropriate. Amounts billed, but not yet paid by the customers, for work performed on contracts are included in the balance sheet under "Debtors, deposits and prepayments".

Investments in securities

Investments in securities are recognised on a trade date basis and are initially measured at cost.

At subsequent reporting dates, debt securities that the Group has the expressed intention and ability to hold to maturity (held-to-maturity securities) are measured at amortised cost, less any identified impairment loss recognised to reflect irrecoverable amounts. Any discount or premium on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)***Investments in securities** *(Continued)*

Investments other than held-to-maturity debt securities are classified as investment securities and other investments.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost less any identified impairment loss, that is other than temporary.

Other investments are measured at fair value, with unrealised gains and losses included in the profit for the year.

Foreign currencies

Transactions in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are re-translated at the rates prevailing on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

On consolidation, the assets and liabilities of the Group's overseas operations which are denominated in foreign currencies, are translated at exchange rates prevailing on the balance sheet date. Income and expense items, which are denominated in foreign currencies, are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Taxation

Taxation represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Retirement benefit schemes contributions

The contributions payable to the Group's Mandatory Provident Fund Schemes ("MPF Schemes") are charged as expenses as they fall due.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)***Impairment**

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

5. TURNOVER

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

6. SEGMENTAL INFORMATION**(a) Business segments**

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

6. SEGMENTAL INFORMATION (Continued)

(b) Geographical segments

The Group's civil construction business is principally located in Hong Kong, Taiwan and the PRC. The Group reports its segment information based on the geographic location of its customers and the segment information about these geographical markets is presented below:

Year ended 31 December 2004

	Hong Kong HK\$'000	Taiwan HK\$'000	The PRC HK\$'000	Total HK\$'000
<i>Results</i>				
Segment turnover	342,234	26,497	–	368,731
Share of turnover of jointly controlled entities	287,936	75,704	8,391	372,031
Segment turnover and share of turnover of jointly controlled entities	630,170	102,201	8,391	740,762
Segment results	(102,593)	1,836	(3,619)	(104,376)
Share of results of jointly controlled entities	147,954	25,339	2,621	175,914
	45,361	27,175	(998)	71,538
Unallocated net income				6,668
Profit from operations				78,206
Finance costs				(195)
Share of results of associates less goodwill amortised	904	–	–	904
Amortisation of goodwill of subsidiaries				(1,421)
Profit before taxation				77,494
Income tax expense				(21,935)
Profit before minority interests				55,559
Minority interests				(5,387)
Profit for the year				50,172

6. SEGMENTAL INFORMATION (Continued)

(b) Geographical segments (Continued)

Year ended 31 December 2003

	Hong Kong HK\$'000	Taiwan HK\$'000	The PRC HK\$'000	Total HK\$'000
<i>Results</i>				
Segment turnover	570,680	70,075	–	640,755
Share of turnover of jointly controlled entities	548,393	18,002	105	566,500
Segment turnover and share of turnover of jointly controlled entities	<u>1,119,073</u>	<u>88,077</u>	<u>105</u>	<u>1,207,255</u>
Segment results	(25,049)	(23,400)	(1,750)	(50,199)
Share of results of jointly controlled entities	95,327	4,018	(623)	98,722
Profit (loss) from operations	<u>70,278</u>	<u>(19,382)</u>	<u>(2,373)</u>	48,523
Finance costs				(2,196)
Share of results of associates less goodwill amortised	942	–	–	942
Profit before taxation				47,269
Income tax expense				(14,210)
Profit before minority interests				33,059
Minority interests				(8,666)
Profit for the year				<u>24,393</u>

At 31 December 2004

	Hong Kong HK\$'000	Taiwan HK\$'000	The PRC HK\$'000	Total HK\$'000
<i>Assets</i>				
Segment assets	209,003	11,306	8,450	228,759
Interests in associates	4,535	–	–	4,535
Interests in joint ventures	431	29,544	22,143	52,118
Other corporate assets				125,634
Total consolidated assets				<u>411,046</u>
<i>Liabilities</i>				
Segment liabilities	201,237	30,455	4,267	235,959
Other corporate liabilities				58,530
Total consolidated liabilities				<u>294,489</u>

For the year ended 31 December 2004

	Hong Kong HK\$'000	Taiwan HK\$'000	The PRC HK\$'000	Total HK\$'000
Additions in property, plant and equipment	7,115	–	185	7,300
Depreciation and amortisation of property, plant and equipment	<u>3,102</u>	<u>880</u>	<u>58</u>	<u>4,040</u>

6. SEGMENTAL INFORMATION (Continued)

(b) Geographical segments (Continued)

At 31 December 2003

	Hong Kong HK\$'000	Taiwan HK\$'000	The PRC HK\$'000	Total HK\$'000
<i>Assets</i>				
Segment assets	241,982	68,199	12,549	322,730
Interests in associates	3,631	–	–	3,631
Interests in joint ventures	21,842	4,018	19,876	45,736
Other corporate assets				49,627
Total consolidated assets				<u>421,724</u>
<i>Liabilities</i>				
Segment liabilities	295,325	28,967	4,083	328,375
Other corporate liabilities				29,872
Total consolidated liabilities				<u>358,247</u>

For the year ended 31 December 2003

	Hong Kong HK\$'000	Taiwan HK\$'000	The PRC HK\$'000	Total HK\$'000
Additions in property, plant and equipment	260	–	94	354
Depreciation and amortisation of property, plant and equipment	<u>3,096</u>	<u>209</u>	<u>25</u>	<u>3,330</u>

7. OTHER OPERATING INCOME

	1.1.2004 to 31.12.2004 HK\$'000	1.1.2003 to 31.12.2003 HK\$'000
Other operating income includes:		
Call of performance bond given by a subcontractor	8,100	–
Unrealised gain on revaluation of investments in securities	4,550	–
Dividend income from investments in securities	1,396	–
Gain on disposal of investments in securities	932	–
Write off of negative goodwill arising upon conversion of preference shares	385	–
Interest on bank deposits	171	59
Interest on other receivables	<u>27</u>	<u>114</u>

8. PROFIT FROM OPERATIONS

	1.1.2004 to 31.12.2004 HK\$'000	1.1.2003 to 31.12.2003 HK\$'000
Profit from operations has been arrived at after charging:		
Loss on disposal of property, plant and equipment	262	–
Auditors' remuneration		
Provision for the current year	1,200	939
Underprovision in prior years	–	280
	<u>1,200</u>	<u>1,219</u>
Depreciation	4,942	7,447
Less: Amount attributable to construction contracts	(902)	(4,117)
	<u>4,040</u>	<u>3,330</u>
Impairment loss on property, plant and equipment	–	5,010
Hire charges for plant and machinery	28,240	13,705
Less: Amount attributable to construction contracts	(28,240)	(13,705)
	<u>–</u>	<u>–</u>
Staff costs:		
Directors' remuneration (<i>note 10</i>)	9,796	4,101
Other staff costs	131,847	135,478
Retirement benefits scheme contributions, excluding amounts included in directors' remuneration and net of forfeited contributions of HK\$351,000 (1.1.2003 to 31.12.2003: HK\$593,000)	5,360	6,371
	<u>147,003</u>	<u>145,950</u>
Less: Amount attributable to construction contracts	(76,168)	(100,788)
	<u>70,835</u>	<u>45,162</u>
Operating lease rentals in respect of land and buildings	<u>1,815</u>	<u>1,786</u>

9. FINANCE COSTS

	1.1.2004 to 31.12.2004 HK\$'000	1.1.2003 to 31.12.2003 HK\$'000
Interest on:		
Bank borrowings wholly repayable within five years	195	1,220
Amount due to ultimate holding company	–	866
Other creditors	–	110
	<u>195</u>	<u>2,196</u>

10. DIRECTORS' REMUNERATION

	1.1.2004 to 31.12.2004 <i>HK\$'000</i>	1.1.2003 to 31.12.2003 <i>HK\$'000</i>
Directors' fees	—	—
Other emoluments - executive directors:		
Salaries and other benefits	3,641	1,966
Performance related incentive payments	6,000	1,989
Retirement benefits scheme contributions	155	146
	<u>9,796</u>	<u>4,101</u>
	<u><u>9,796</u></u>	<u><u>4,101</u></u>

Remuneration of the Directors were within the following bands:

	Number of directors	
	1.1.2004 to 31.12.2004	1.1.2003 to 31.12.2003
Up to HK\$1,000,000	5	1
HK\$4,000,001 to HK\$4,500,000	1	1
HK\$5,500,001 to HK\$6,000,000	<u>1</u>	<u>—</u>

11. EMPLOYEES' EMOLUMENTS

Details of the emoluments of five highest paid individuals included two Directors (2003: one Director) set out above. The emoluments of the remaining three (1.1.2003 to 31.12.2003: four) highest paid individuals are as follows:

	1.1.2004 to 31.12.2004 <i>HK\$'000</i>	1.1.2003 to 31.12.2003 <i>HK\$'000</i>
Salaries and other benefits	3,844	5,405
Performance related incentive payments	2,550	1,470
Retirement benefits scheme contributions	209	278
	<u>6,603</u>	<u>7,153</u>

The emoluments were within the following bands:

	Number of employees	
	1.1.2004 to 31.12.2004	1.1.2003 to 31.12.2003
HK\$1,500,001 to HK\$2,000,000	1	3
HK\$2,000,001 to HK\$2,500,000	1	1
HK\$2,500,001 to HK\$3,000,000	<u>1</u>	<u>—</u>

12. INCOME TAX EXPENSE

	1.1.2004 to 31.12.2004 HK\$'000	1.1.2003 to 31.12.2003 HK\$'000
Provision for the year		
Hong Kong	12,506	7,485
Underprovision in prior years		
Hong Kong	5,481	610
Other jurisdictions	1,457	–
Deferred taxation		
For the year (<i>note 35</i>)	–	(1,531)
Effect on change in tax rate (<i>note 35</i>)	–	131
Share of tax on results of associates	–	49
Share of tax on results of jointly controlled entities	2,491	7,466
	<u>21,935</u>	<u>14,210</u>

Hong Kong Profits Tax is calculated at 17.5% (1.1.2003 to 31.12.2003: 17.5%) on the estimated assessable profit for the year.

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

Taxation for the year can be reconciled to the profit before taxation per the consolidated income statement as follows:

	1.1.2004 to 31.12.2004 HK\$'000	1.1.2003 to 31.12.2003 HK\$'000
Profit before taxation	<u>77,494</u>	<u>47,269</u>
Taxation at the applicable rate of 17.5% (1.1.2003 to 31.12.2003: 17.5%)	13,561	8,272
Tax effect of expenses that are not deductible in determining taxable profit	6,053	17,966
Tax effect of losses not recognised	2,763	14,400
Tax effect of income that is not taxable in determining taxable profit	(451)	(24,143)
Underprovision in prior year	6,938	610
Tax effect of utilisation of tax losses not previous recognised	(6,980)	(4,390)
Effect of different rates for companies operating in other jurisdictions	10	1,464
Tax effect of share of results of associates	(251)	(209)
Tax effect of share of results of jointly controlled entities	792	109
Increase in opening deferred tax liabilities resulting from an increase in Hong Kong Profits Tax rate	–	131
Others	(500)	–
Income tax for the year	<u>21,935</u>	<u>14,210</u>

13. EARNINGS PER SHARE

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

	1.1.2004 to 31.12.2004 <i>HK\$'000</i>	1.1.2003 to 31.12.2003 <i>HK\$'000</i>
Profit for the year	50,172	24,393
Dividends on convertible preference share capital	(200)	–
Earnings for the purposes of basic earnings per share	49,972	<u>24,393</u>
Effect of dilutive potential ordinary shares:		
Dividends on convertible preference share capital	200	
Earnings for the purposes of diluted earnings per share	<u>50,172</u>	
	1.1.2004 to 31.12.2004 <i>'000</i>	1.1.2003 to 31.12.2003 <i>'000</i>
Weighted average number of ordinary shares for the purposes of basic earnings per share	724,588	<u>598,700</u>
Effect of dilutive potential ordinary shares:		
Convertible preference share capital	103,279	
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>827,867</u>	

The 598,700,000 shares issued (taking into account the consolidation of shares as set out in note 30(e)) by the Company to acquire Top Tactic Group as set out in note 2 are deemed to be in issue on 1 January 2003 for the purpose of computing earnings per share under the reverse acquisition of the Company.

14. PROPERTY, PLANT AND EQUIPMENT

THE GROUP

	Leasehold improvements <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Vessels <i>HK\$'000</i>	Total <i>HK\$'000</i>
COST						
At 1 January 2004	7,631	18,444	19,825	7,654	84,260	137,814
Exchange realignment	–	253	51	148	641	1,093
Acquisition of subsidiaries	–	–	–	51	–	51
Additions	–	–	520	28	6,752	7,300
Disposals	–	(4,295)	(207)	(3,074)	(227)	(7,803)
At 31 December 2004	7,631	14,402	20,189	4,807	91,426	138,455
DEPRECIATION AND IMPAIRMENT						
At 1 January 2004	6,593	15,764	19,064	6,531	64,780	112,732
Exchange realignment	–	162	38	97	292	589
Provided for the year	589	805	364	170	3,014	4,942
Eliminated on disposals	–	(2,714)	(207)	(2,072)	(139)	(5,132)
At 31 December 2004	7,182	14,017	19,259	4,726	67,947	113,131
NET BOOK VALUES						
At 31 December 2004	449	385	930	81	23,479	25,324
At 31 December 2003	1,038	2,680	761	1,123	19,480	25,082

15. GOODWILL

THE GROUP
HK\$'000

GROSS AMOUNT

Arising on reverse acquisition of the Company
during the year and at 31 December 2004 31,975

AMORTISATION

Provided for the year and balance at 31 December 2004 (1,421)

CARRYING AMOUNT

At 31 December 2004 30,554

Goodwill arose on the group restructuring as detailed in note 2 and is amortised using the straight-line method over its estimated useful life of fifteen years.

16. LONG-TERM DEPOSITS

	THE COMPANY	
	31.12.2004 <i>HK\$'000</i>	31.3.2004 <i>HK\$'000</i>
Deposits for acquisition of:		
– an investment property	–	15,495
– an investment project	–	38,728
– a property development project	–	158,830
	–	213,053
Less: Allowance	–	(213,053)

The long term deposits at 1 April 2004 were discharged pursuant to the group restructuring as detailed in note 2.

17. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	31.12.2004 <i>HK\$'000</i>	31.3.2004 <i>HK\$'000</i>
Unlisted shares, at cost	60,000	482,322
Amounts due from subsidiaries	–	607,691
	60,000	1,090,013
Impairment loss recognised	–	(1,090,013)

The interests in subsidiaries at 1 April 2004 were discharged pursuant to the group restructuring as detailed in note 2.

Details of the Company's principal subsidiaries at 31 December 2004 are set out in note 41.

18. INTERESTS IN ASSOCIATES

	THE GROUP	
	31.12.2004 <i>HK\$'000</i>	31.12.2003 <i>HK\$'000</i>
Share of net liabilities of associates	(4,594)	(6,027)
Goodwill (<i>note</i>)	9,129	9,658

18. INTERESTS IN ASSOCIATES *(Continued)*

Details of the incorporated associates of the Group as at 31 December 2004 are as follows:

Name of associate	Place of incorporation or registration/ operation	Proportion of nominal value of issued ordinary capital held indirectly by the Company %	Principal activities
Hong Kong Landfill Restoration Group Limited	Hong Kong	23	Civil engineering
Kong On Waste Management Limited	Hong Kong	50	Environmental and waste management
Kier Hong Kong Limited	United Kingdom/ Hong Kong	49.5	Civil engineering

Note:

Movement in the goodwill included in interests in associates is as follows:

	<i>HK\$'000</i>
GROSS AMOUNT	
At 1 January 2004 and 31 December 2004	10,584
AMORTISATION	
At 1 January 2004	926
Provided for the year	529
At 31 December 2004	1,455
CARRYING AMOUNT	
At 31 December 2004	9,129
At 31 December 2003	9,658

19. INTERESTS IN JOINT VENTURES

	THE GROUP	
	31.12.2004 HK\$'000	31.12.2003 HK\$'000
Share of net assets of jointly controlled entities	52,118	45,736

At 31 December 2004, the Group had interests in the following principal jointly controlled entities:

Name of jointly controlled entity	Form of business structure	Place of incorporation/ registration/ operation	Attributable interest to the Group %	Principal activities
Balfour Beatty-Zen Pacific Joint Venture	Unincorporated	Hong Kong	50 (note b)	Civil engineering
China State-Zen Pacific Joint Venture	Unincorporated	Hong Kong	30	Civil engineering
Dragages-Zen Pacific Joint Venture	Unincorporated	Hong Kong	25	Civil engineering
Dragages (HK) Joint Venture	Unincorporated	Hong Kong	14 (note a)	Civil engineering
E & M 404 Joint Venture	Unincorporated	Hong Kong	12.5 (note a)	Civil engineering
Kier/Zen Pacific Joint Venture	Unincorporated	Hong Kong	50	Civil engineering
Shanxi Jin-Ya Road and Bridge Construction Limited	Incorporated	PRC	51	Road construction
Taiwan Track Partners Joint Venture	Unincorporated	Taiwan	8 (note a)	Civil engineering
Taiwan Track Partners Rheda Joint Venture	Unincorporated	Taiwan	8 (note a)	Civil engineering

The above table lists the jointly controlled entities of the Group which, in the opinion of the Directors, principally affect the results for the year or constitute a substantial portion of the net assets of the Group. To give details of other jointly controlled entities would, in the opinion of the Directors, result in particulars of excessive length.

Notes:

- (a) The Group holds less than 20% interests in these entities. However, under the joint venture agreements, the entities are jointly controlled by the Group and the other significant joint venture partners. Therefore, these entities are classified as jointly controlled entities.

19. INTERESTS IN JOINT VENTURES (Continued)*Notes: (Continued)*

- (b) The following details have been extracted from the unaudited financial statements of the Group's significant jointly controlled entity, Balfour Beatty-Zen Pacific Joint Venture.

Operating results:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Turnover	176,816	461,529
Profit from ordinary activities before taxation	154,781	75,644
Profit from ordinary activities before taxation attributable to the Group	77,391	37,822

Financial position:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Non-current assets	–	1,057
Current assets	35,757	169,327
Current liabilities	(24,576)	(163,984)
Net assets	11,181	6,400
Net assets attributable to the Group	5,591	3,200

20. INVESTMENTS IN SECURITIES

	THE GROUP 31.12.2004 <i>HK\$'000</i>	31.12.2003 <i>HK\$'000</i>
Equity securities		
Unlisted investment securities, at cost (<i>note</i>)	28,302	28,302
Other listed investments in Hong Kong, at market value	55,430	8,622
	<u>83,732</u>	<u>36,924</u>
Represented by:		
Non-current assets	28,302	36,924
Current assets	55,430	–
	<u>83,732</u>	<u>36,924</u>

Note: The amount represents an 6.25% equity investment amounting to HK\$28,302,000 in the registered capital, amounting to HK\$452,830,000, of Shanghai Environment Investment Company Limited ("SEICL"), a company incorporated in the PRC. SEICL is an investment holding company whose investment targets are companies undertaking waste management projects in the PRC, including incinerators and landfill.

21. AMOUNT DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK

	THE GROUP	
	31.12.2004	31.12.2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Contracts in progress at balance sheet date:		
Contract costs incurred plus recognised profits		
less recognised losses	1,421,960	3,063,395
Less: Progress billings	(1,398,805)	(3,039,140)
	<u>23,155</u>	<u>24,255</u>
Represented by:		
Due from customers included in current assets	33,190	43,099
Due to customers included in current liabilities	(10,035)	(18,844)
	<u>23,155</u>	<u>24,255</u>

22. DEBTORS, DEPOSITS AND PREPAYMENTS

	THE GROUP	
	31.12.2004	31.12.2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade debtors within 60 days	35,475	73,520
Retentions receivable	17,575	58,627
Other debtors, deposits and prepayments	28,536	27,624
	<u>81,586</u>	<u>159,771</u>

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

23. AMOUNTS DUE FROM IMMEDIATE HOLDING COMPANY/A FELLOW SUBSIDIARY

The amounts are unsecured, interest-free and have no fixed repayment terms.

24. AMOUNTS DUE FROM ASSOCIATES

The amounts due from associates are unsecured and interest-free except for an amount of HK\$20,000,000 (31.12.2003: HK\$40,000,000) advanced to an associate ("Associate") by a subsidiary of the Company (the "Subsidiary") which bears interest at prime rate.

The Associate agreed in writing that the Subsidiary has the right to set off the amount against any amount due to the Associate by the Subsidiary or any companies whose ultimate holding company is Wai Kee. As at 31 December 2004, HK\$8,484,000 (31.12.2003: HK\$34,619,000) of the amount was set off against the same amount due to the Associate.

25. CREDITORS AND ACCRUED CHARGES

	THE GROUP	
	31.12.2004	31.12.2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade creditors analysed by age:		
0 to 60 days	11,899	29,802
61 to 90 days	3,094	992
Over 90 days	3,580	5,400
	<u>18,573</u>	<u>36,194</u>
Retentions payable	18,531	25,057
Accrued project costs	60,670	63,343
Other creditors and accrued charges	59,857	41,712
	<u>157,631</u>	<u>166,306</u>

26. OTHER PAYABLE

The amount of HK\$20,000,000 in the consolidated income statement for the year ended 31 December 2003 represented the additional provision for a piling incident in late 1999 and the amount of HK\$70,000,000 in the consolidated balance sheet at 31 December 2003 represented the outstanding payable for this incident at 31 December 2003. The obligations of the Group under this piling incident was fully discharged during the year.

27. BANK LOANS

	THE GROUP		THE COMPANY	
	31.12.2004	31.12.2003	31.12.2004	31.3.2004
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
The maturity of bank loans is as follows:				
Within one year	–	16,000	–	411,383
In the second year	6,600	–	6,600	–
In the third to fifth year inclusive	13,400	–	13,400	–
	<u>20,000</u>	<u>16,000</u>	<u>20,000</u>	<u>411,383</u>
Less: Amount due within one year shown under current liabilities	–	(16,000)	–	(411,383)
Amount due after one year	<u>20,000</u>	<u>–</u>	<u>20,000</u>	<u>–</u>
Secured	–	16,000	–	–
Unsecured	20,000	–	20,000	411,383
	<u>20,000</u>	<u>16,000</u>	<u>20,000</u>	<u>411,383</u>

The Company's bank loans as at 1 April 2004 were settled pursuant to Group Restructuring as detailed in note 2.

28. AMOUNTS DUE TO ASSOCIATES

The amounts are unsecured, interest-free and have no fixed repayment terms. The associates have agreed not to demand repayment within twelve months from the balance sheet date and the balances are therefore shown as non-current liabilities.

29. AMOUNTS DUE TO JOINTLY CONTROLLED ENTITIES

The amounts are unsecured, interest-free and have no fixed repayment terms. The amounts will not be repayable within twelve months from the balance sheet date and the balances are therefore shown as non-current liabilities.

30. SHARE CAPITAL/PAID-IN CAPITAL

	THE COMPANY	
	Number of shares '000	Amount HK\$'000
Authorised:		
Ordinary shares		
At 1 April 2003 and 31 March 2004 of HK\$0.01 each	8,000,000	80,000
Cancellation of authorised ordinary share capital (<i>note b(iii)</i>)	(7,872,860)	(78,729)
Increase in authorised ordinary share capital (<i>note b(iv)</i>)	16,872,860	168,729
Consolidation of shares (<i>note (e)</i>)	(15,300,000)	–
	<u>1,700,000</u>	<u>170,000</u>
At 31 December 2004 of HK\$0.1 each	<u>1,700,000</u>	<u>170,000</u>
Issued and fully paid:		
Ordinary shares		
At 1 April 2003 and 31 March 2004 of HK\$0.01 each	508,339	5,083
Capital reduction (<i>note b(i)</i>)	–	(3,812)
Consolidated of shares (<i>note b(ii)</i>)	(381,255)	–
Issue of ordinary shares (<i>note (c)</i>)	6,187,000	61,870
Conversion of convertible preference shares (<i>note (d)</i>)	1,500,000	15,000
Consolidation of shares (<i>note (e)</i>)	(7,032,676)	–
	<u>781,408</u>	<u>78,141</u>
At 31 December 2004 of HK\$0.1 each	<u>781,408</u>	<u>78,141</u>

Notes:

- (a) The share capital of HK\$7,808,000 as at 1 January 2004 represents the paid-in capital of the companies comprising Top Tactic Group as at 1 January 2004.
- (b) On 23 April 2004, pursuant to the capital restructuring approved by the court of Bermuda and Hong Kong dated 16 April 2004 and 20 April 2004 respectively, the share capital of the Company was changed as follows:
 - i. the issued ordinary share capital of HK\$5,083,000 was reduced by HK\$3,812,000 to HK\$1,271,000 by cancelling the paid-up capital of HK\$0.01 each so that each of such issued ordinary shares shall be treated as one fully paid shares of HK\$0.0025. The credit of HK\$3,812,000 arising from the capital reduction was applied to eliminate an equivalent amount of the Company's accumulated losses;
 - ii. every four issued ordinary shares reduced pursuant to (b)(i) above were consolidated into one ordinary share of HK\$0.01. Accordingly, 508,339,764 issued ordinary shares of HK\$0.0025 each were consolidated into 127,084,941 issued ordinary shares of HK\$0.01 each;
 - iii. the unissued ordinary share capital of HK\$78,729,000 in the authorised ordinary share capital of HK\$80,000,000 of the Company was cancelled and diminished resulting in an authorised and issued ordinary share capital of HK\$1,271,000; and

30. SHARE CAPITAL/PAID-IN CAPITAL (Continued)*Notes: (Continued)*

- iv. the authorised ordinary share capital of the Company was increased from HK\$1,271,000 to HK\$170,000,000 by creation of 16,872,860,000 ordinary shares of HK\$0.01 each.
- (c) On 23 April 2004, the Company issued 5,987,000,000 new ordinary shares of HK\$0.01 each of the Company in exchange of the entire equity interest in Top Tactic Group and issued 200,000,000 new ordinary shares of HK\$0.01 each of the Company to the former creditors of the Company in exchange for the discharge and waiver of all the claims against the Company.
- (d) On 24 April 2004, the holder of the preference shares converted HK\$15,000,000 of the preference shares in the Company (*note 31*).
- (e) On 26 July 2004, every ten ordinary shares of the Company were consolidated into one ordinary share. The nominal value of the ordinary shares was then consolidated from HK\$0.01 each share to HK\$0.1 each share.

31. CONVERTIBLE PREFERENCE SHARE CAPITAL

	THE COMPANY	
	Number of shares '000	Amount HK\$'000
Authorised:		
Convertible preference shares of HK\$0.01 each Created on 23 April 2004 (<i>note (a)</i>) and at 31 December 2004	<u>3,000,000</u>	<u>30,000</u>
Issued and fully paid of HK\$0.01 each:		
Convertible preference shares		
Issued on 23 April 2004 (<i>note (a)</i>)	3,000,000	30,000
Conversion into ordinary shares (<i>note 30(d)</i>)	<u>(1,500,000)</u>	<u>(15,000)</u>
At 31 December 2004	<u>1,500,000</u>	<u>15,000</u>

Note:

- (a) On 23 April 2004, the authorised share capital of the Company was increased from HK\$170,000,000 to HK\$200,000,000 by creation of 3,000,000,000 convertible preference shares of HK\$0.01 each. On the same date, the Company issued 3,000,000,000 new convertible preference shares of HK\$0.01 each for cash at par for repayment of certain liabilities of the Company.
- (b) On 26 July 2004, every ten ordinary shares of the Company were consolidated into one ordinary shares and the conversion price for exercise of the conversion rights attaching to the convertible preference share was increased from HK\$0.01 to HK\$0.1.

The preference shares shall entitle the holders thereof the right to convert their preference shares into fully-paid ordinary shares of the Company at any time after the date of issuance of the preference shares but before the seventh anniversary, into such number of fully-paid ordinary shares to be determined by the issue price of preference shares divided by the conversion price of HK\$0.1 per ordinary share.

Holders of the preference shares shall be entitled to receive dividends at the rate of 2% per annum at its issue price. The holders of the preference shares shall be entitled to receive dividends prior to and in preference to the holders of the ordinary shares.

The holder of each preference share shall not have any voting rights. The preference shares shall be non-redeemable and will not be listed on any stock exchange.

32. AMOUNTS DUE TO SUBSIDIARIES

The amounts at 31 March 2004 were unsecured, interest-free and were settled pursuant to the group restructuring as detailed in note 2.

The amounts at 31 December 2004 are unsecured, interest-free and have no fixed repayment terms.

33. AMOUNTS DUE TO FORMER ASSOCIATES

	THE COMPANY	
	31.12.2004	31.3.2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unsecured and interest bearing	–	4,465
Unsecured and interest-free	–	936
	<u>–</u>	<u>5,401</u>

The amounts at 31 March 2004 were settled pursuant to the group restructuring as detailed in note 2.

34. RESERVES

Details of the movements on the Group's share premium and reserves are set out in the consolidated statement of changes in equity on page 35.

The special reserve of the Group represents the issued ordinary share capital of the Company at the time it was acquired by Top Tactic Group.

The retained profits of the Group included HK\$11,460,000 (31.12.2003: HK\$12,893,000) losses accumulated by associates of the Group and HK\$32,054,000 (31.12.2003: HK\$25,670,000) profits retained by its jointly controlled entities.

Details of the movements in the Company's reserves are as follows:

	Capital redemption reserve	Contributed surplus	Deficit	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
THE COMPANY				
At 1 April 2003	115	419,212	(978,062)	(558,735)
Net loss for the year	–	–	(47,252)	(47,252)
At 31 March 2004	115	419,212	(1,025,314)	(605,987)
Capital reduction (note 30(b)(i))	–	–	3,812	3,812
Net profit for the period	–	–	567,037	567,037
At 31 December 2004	<u>115</u>	<u>419,212</u>	<u>(454,465)</u>	<u>(35,138)</u>

The contributed surplus of the Company represents the difference between the consolidated shareholders' funds of the subsidiaries when they were acquired by the Company and the nominal amount of the Company's shares issued for the acquisition.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of a company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if:

- (a) it is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

There were no reserves available for distribution to the shareholders of the Company at 31 March 2004 and 31 December 2004.

35. DEFERRED TAX ASSETS/LIABILITIES

The following are the deferred tax liabilities recognised by the Group and movements thereon during the year:

	Accelerated tax depreciation HK\$'000
At 1 January 2003	(1,400)
Credit to income for the year (<i>note 12</i>)	1,531
Effect of change in tax rate credited to income (<i>note 12</i>)	(131)
	<u> </u>
At 31 December 2003 and 2004	<u><u> </u></u>

At the balance sheet date, the Group has unutilised tax losses carried forward to offset future profits, the utilisation of which will expire in the following years:

	31.12.2004 HK\$'000	31.12.2003 HK\$'000
Tax losses:		
To expire in 2004	–	3,564
To expire in 2005	–	15,303
To expire in 2006	2,168	10,459
Carried forward indefinitely	72,073	69,012
	<u> </u>	<u> </u>
	<u><u>74,241</u></u>	<u><u>98,338</u></u>

No deferred tax asset has been recognised in respect of unused tax losses due to the unpredictability of future profit streams.

36. COMMITMENTS**(a) Joint venture commitments**

At 31 December 2004, the Group had committed to invest approximately HK\$11,826,000 (31.12.2003: Nil) into a joint venture established in the PRC. The joint venture is principally engaged in civil engineering in the PRC.

(b) Operating lease commitments*Lessee*

At 31 December 2004, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases in respect of land and buildings which fall due as follows:

	31.12.2004 HK\$'000	31.12.2003 HK\$'000
Within one year	1,434	1,830
In the second to fifth year inclusive	143	1,034
	<u> </u>	<u> </u>
	<u><u>1,577</u></u>	<u><u>2,864</u></u>

Operating lease payments represent rentals payable by the Group for certain of its office premises. Leases are negotiated for terms ranging from one to three years and rentals are fixed at the time of entering the respective leases.

At 31 December 2004, the Company did not have any significant commitments.

37. PLEDGE OF ASSETS

At 31 December 2004, the Group has pledged the following assets to secure the banking facilities granted to the Group and jointly controlled entities.

	31.12.2004 <i>HK\$'000</i>	31.12.2003 <i>HK\$'000</i>
Bank deposits	<u>19,038</u>	<u>54,494</u>

38. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	31.12.2004 <i>HK\$'000</i>	31.12.2003 <i>HK\$'000</i>	31.12.2004 <i>HK\$'000</i>	31.3.2004 <i>HK\$'000</i>
Guarantee given to financial institutions in respect of banking facilities granted to subsidiaries an associate	– <u>35,000</u>	– <u>285,000</u>	20,000 <u>–</u>	– <u>–</u>
Outstanding tender/performance/retention bonds in respect of construction contracts	<u>23,927</u>	<u>208,624</u>	<u>10,000</u>	<u>–</u>

39. RETIREMENT BENEFITS SCHEME

The Group operates two MPF Schemes for all eligible employees in Hong Kong. These MPF Schemes are registered with the Mandatory Fund Schemes Authority ("MPFA") in accordance with the Mandatory Provident Fund Schemes Ordinance ("MPF Schemes Ordinance").

The assets of the MPF Schemes are held separately from those of the Group under the control of independent trustees approved by the MPFA.

In addition to the mandatory contributions specified under the MPF Schemes Ordinance, the Group also provides additional contributions for certain qualifying employees as specified in the rules of the Group's MPF Schemes. Employees leaving the MPF Schemes prior to stipulated service periods may forfeit part of their benefits relating to the Group's voluntary contributions and these amounts may be applied to reduce future voluntary contributions payable by the Group.

The amount charged to the consolidated income statement represents contributions payable to the retirement benefit schemes by the Group at the rates specified in the rules of the MPF Schemes reduced by the aforesaid amount of forfeited benefits.

40. RELATED PARTY TRANSACTIONS

During the year, the Group has the following transactions with the related parties:

	Notes	1.1.2004 to 31.12.2004 HK\$'000	1.1.2003 to 31.12.2003 HK\$'000
Immediate holding company			
Corporate guarantee fee	(b)	5,131	5,343
Management fee paid	(c)	914	3,208
Revenue from MIS service	(c)	328	129
Fellow subsidiaries			
Purchase of goods	(c)	395	3,000
Associate			
Value of construction work certified	(c)	7,381	970
Consultancy fee paid	(c)	717	8,338
Interest income	(d)	1,292	2,333
Sale of project's scrap	(c)	–	2,596
Ultimate holding company			
Interest expenses	(e)	–	866
Related company (Note a)			
Revenue from MIS services	(f)	–	58

Notes:

- (a) The related company is a subsidiary of a substantial shareholder of one of the substantial shareholders of the ultimate holding company.
- (b) Corporate guarantee fee was charged in accordance with respective agreements entered between the Company and the ultimate holding company.
- (c) The transactions were charged at the terms determined and agreed by both parties.
- (d) Interest income is calculated at prime rate as quoted by a financial institution.
- (e) Interest expenses were calculated at 2% over prime rate as quoted by a financial institution on the net amount due to ultimate holding company.
- (f) As disclosed in the circular dated 5 June 2001 issued by the ultimate holding company to the shareholders, these transactions have been continuing after the disposal of Ngo Kee Construction Company Limited ("Ngo Kee"), a former subsidiary of the ultimate holding company. The revenue was charged in accordance with the respective agreements entered between Ngo Kee and the ultimate holding company and its subsidiaries.

At 31 December 2004, Wai Kee provided corporate guarantees amounting to HK\$45,000,000 (31.12.2003: HK\$239,710,000) to several banks to secure the general banking facilities granted to the Group.

At 31 December 2004 and 31 December 2003, Wai Kee has also given guarantees to indemnify all liabilities for certain construction contracts undertaken by the Group.

At 31 December 2003, Wai Kee had given a guarantee amounting to HK\$80,000,000 in respect of a piling incident. The guarantee was discharged as at 31 December 2004.

As at 31 December 2003, certain listed shares of Road King Infrastructure Limited, an associate of the ultimate holding company, held by fellow subsidiaries were pledged to secure the banking and other facilities granted to the Group.

40. RELATED PARTY TRANSACTIONS *(Continued)*

In addition to above, the Group has an interest in a jointly controlled entity for the construction of Zhejiang Shenjiawan – Zhongmentong (the “JCE”). The JCE is an unincorporated jointly controlled entity operating in the PRC, with a 50% attributable interests held by a wholly-owned subsidiary of the Company and the remaining attributable interest held by two wholly owned subsidiaries of Wai Kee.

41. PRINCIPAL SUBSIDIARIES

Name of subsidiary	Place of incorporation	Place of operation	Issued and fully paid ordinary share capital	Proportion of nominal value of issued ordinary share capital held by the Group %	Principal activities
Graphic Construction Company Limited	Macau	Macau	MOP25,000	100	Construction and civil engineering
Hsin Lung Construction Company Limited	Taiwan	Taiwan	NT\$175,000,000	100	Civil engineering
Leader Civil Engineering Corporation Limited	Hong Kong	Hong Kong	HK\$25,200,000 Ordinary shares HK\$24,000,000 Non-voting deferred shares (note)	100	Civil engineering
Leader Construction Company Limited	Hong Kong	Hong Kong	HK\$2	100	Provision of administrative and management services to group companies
Leader Marine Contractors Limited	Hong Kong	Hong Kong	HK\$200,000	100	Marine engineering and provision of transportation services
Profound Success Limited	BVI	Hong Kong	US\$1	100	Investment holding
Smart Start Investments Limited	Hong Kong	Hong Kong	HK\$2	100	Investment holding
Wai Kee China Construction Company Limited	Hong Kong	Hong Kong	HK\$10,000,000	100	Civil engineering
Wai Kee (Zens) Construction & Transportation Company Limited	Hong Kong	Hong Kong	HK\$2 Ordinary shares HK\$14,800,000 Non-voting deferred shares HK\$5,200,000 Non-voting deferred shares (note)	100	Civil engineering

41. PRINCIPAL SUBSIDIARIES (Continued)

Note: These deferred shares, which are not held by the Group, practically carry minimal rights to dividends and no rights to receive notice of or to attend or vote at any general meeting of respective companies. On winding up, the holders of the deferred shares are entitled to a distribution out of the remaining assets of the respective companies only after the distribution of substantial amounts as specified in the articles of associations to holders of ordinary shares of the respective companies.

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affect the results of the year or constitute a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

3. MANAGEMENT DISCUSSION AND ANALYSIS

The following is the management discussion and analysis of the Group's result for the year ended 31 December 2004 as extracted from the annual report of the Group for the year ended 31 December 2004:

Business Review and Prospect*Group Results*

For the year ended 31 December 2004, the Group reported a total of group turnover and share of turnover of jointly controlled entities of HK\$741 million, recording a decrease of 39% as compared to HK\$1,207 million for the last year. However, as a result of finalisation of several contracts this year, a significant portion of the profit of those contracts was realised. Therefore, the Group achieved a net profit of 7% as compared to a net profit of 2% for the last year. The results for this year were better than market norm due to the accounting practices as mentioned in the Chairman's Letter. In the long run, we are confident that the Group's performance will be better than the market norm.

Hong Kong

The key factor attributable to the significant decrease of turnover was the continuously adverse construction market in Hong Kong. Over the past few years, the construction market in Hong Kong was seriously hit by a series of cuts in capital expenditures in both the public and private sectors. Although there are some ongoing construction and infrastructure projects in Hong Kong, the cut-throat competition in bidding contracts among the construction peers has made the business environment even more difficult. In spite of this, the Group was not daunted by the poor market conditions and remained its commitment to provide high quality works and high standard of services. This has further driven the Group's commitment to enhance its bidding chances by performing well in its projects and therefore scoring high in its performance ratings. These ratings proved especially useful when bidding for government projects, as every bid is evaluated based on both the price as well as its performance scores.

3. MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)**The PRC*

There is certainly a continuous growth in the infrastructure market in the PRC. With high economic growth, there is new demand for better and more infrastructures such as highways, mass transit, airports, ports, water supply, sewage treatment works and municipal waste treatment. The Group will draw on its experience and resource from Hong Kong to develop these sectors.

In November 2004, the Group acquired 25% of China Railway Tenth Group Third Engineering Company Limited (“Third Company”) at RMB12.5 million. As Third Company has First Class Main Contractor Licence of Municipal Works in the PRC, this strengthens the Group’s position to develop the PRC market.

Currently, the Group’s focus is on environmental sector. Environmental projects in the PRC are funded by various sources, that is, by local government, foreign funds such as World Bank and Asia Development Bank, and by private funds such as Build-Operate-Transfer (“BOT”) arrangement. The Group is going to focus on all these projects by bidding competitively for the government and foreign funded tenders. At the same time, the Group is also entering the BOT sector provided that the return on investment meets certain criteria.

Taiwan

The construction market in Taiwan is also very difficult. With the successful completion of the Anping Port Project and Taiwan High Speed Rail Corporation Contract T200 for track laying, there remains two track laying projects to be completed by mid-2005. From our experience gained in previous years, we will have an edge only in projects requiring special technique that could not be acquired locally. The Group will therefore be very selective and focus on future projects.

United Arab Emirates

Under a tighter control of environmental requirements, the marine construction market in Hong Kong is diminishing. Further to Taiwan and the PRC, the Group has explored the marine works market in the Middle East. After a six-month study of the United Arab Emirates (“UAE”) market, the Board could see opportunities and decided to enter into the UAE market in August 2004. A fleet of eight vessels arrived at the UAE in November 2004. Strategically, the Group also allied with a PRC state owned company, China Railway Middle East, the main contractor of the huge man-made island development, the Palm Jebel Ali in Dubai, for the development of the Middle East market. Together with the marine vessels owned by China Railway Middle East, the synergy is our ability to carry out a wide scope of marine works by our own vessels immediately available in the market. Dredging, rubble mound breakwater, piling, precasting large caissons, quay construction, and reclamation are our areas of expertise.

In January 2005, we started to provide floating dock service to a local company and recorded the first turnover in the Middle East market.

3. MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Our short-term business plan is to provide floating dock service and marine plant on charter basis, and to contract small to medium size marine projects. The long-term business plan is to expand our floating dock service to docking and repairing of ships, and to contract medium to large scale marine and civil projects.

Macau

The Group has also actively prepared to enter Macau market. A local company was established and several tenders for civil works have been submitted.

Head Office overhead

The Group was very cautious in maintaining a lean overhead. The increase of HK\$14 million in administrative expenses was mainly due to the increase of staff performance bonus, being in line with the increase of net profit. Since 2002, the Group has introduced a scheme of staff performance bonus under which 30% of profit of construction activities will be paid to staff at all levels on a discretionary basis to reward good performance.

Contracts on Hand

During the year ended 31 December 2004, the Group was successfully in securing a total of 11 new projects with total contract sum of HK\$710 million. As at the date of this report, the Group had contracts on hand of about HK\$7,905 million, of which about HK\$961 million has yet to be completed.

Financial Review*Liquidity and Financial Resources*

As at 31 December 2004, the Group had borrowings of HK\$20 million (as at 31 December 2003: HK\$20 million) and bank balances and cash amounted to HK\$71 million (as at 31 December 2003: HK\$72 million).

With an objective to enhance the return on cash, the Company invested in a portfolio of listed securities. These investments amounted to HK\$55 million as at 31 December 2004 (as at 31 December 2003: HK\$9 million).

Due to low level of bank borrowings during the year, the Group's net finance costs for the year ended 31 December 2004 were kept to a minimal level below HK\$0.2 million.

The Group's borrowings, investment in listed securities and cash balances were principally denominated in Hong Kong dollars. Hence there is no exposure to foreign exchange rate fluctuations. During the year, the Group had no borrowings at fixed interest rate and had no financial instruments for hedging purposes.

3. MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)**Capital Structure and Gearing Ratio*

As at 31 December 2004, the Company has issued and fully paid up share capital of HK\$93 million comprising ordinary shares of HK\$78 million and preference shares of HK\$15 million which are convertible into 150,000,000 ordinary shares of HK\$0.1 each.

As at 31 December 2004, the shareholders' fund was HK\$111 million, representing HK12 cents per share on the basis that all preference shares have been converted into ordinary shares.

As at 31 December 2004, the Group had net cash balance of HK\$51 million (i.e. bank balances and cash less bank borrowings). Accordingly, the net gearing ratio was zero.

Pledge of Assets

As at 31 December 2004, the Group's bank deposits amounting to HK\$19 million (31 December 2003: HK\$54 million) were pledged to secure the banking facilities granted to the Group and a jointly controlled entity.

Contingent Liabilities

As at 31 December 2004, the Group had contingent liabilities set out as follows:

	31 December 2004	31 December 2003
	<i>HK\$million</i>	<i>HK\$million</i>
Guarantee given to a bank in respect of banking facilities granted to an associate	35	285
Outstanding tender/performance/retention bonds in respect of construction contracts	24	209

Material Acquisition*Joint Venture with China Railway Tenth Group Co., Ltd. ("CRTG")*

As announced in November 2004, Wai Kee (Zens) Construction and Transportation Company Limited ("WKC&T"), a wholly owned subsidiary of the Company, entered into the joint venture agreement ("JV Agreement"), pursuant to which WKC&T and CRTG agreed to invest RMB12.5 million and RMB37.5 million respectively, in China Railway Tenth Group Third Engineering Co., Ltd. ("CRTE") which holds the "First Class Main Contractor Licence of Municipal Public Works". The capital contribution of WKC&T was made in February 2005.

As the investment allowed the Group to invest in a company which holds the appropriate licence for municipal public works, this provided the Group an opportunity to enter the PRC civil construction engineering industry. The Directors believed that with the good reputation and strong management of the Group, this market would provide an opportunity for future growth thereby moving towards its long term objective of profitable growth. Details of this transaction are set out in the circular dated 15 December 2004.

Employees and Remuneration Policies

As at 31 December 2004, the Group had a total of approximately 573 employees (2003: 516), of which 521 were in Hong Kong, 41 were in the PRC and 11 were in Taiwan. Competitive remuneration packages are structured to commensurate with individual responsibilities, qualification, experience and performance.

4. INDEBTEDNESS

At the close of business on 31 March 2005, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had outstanding unsecured bank borrowings of HK\$20,000,000 repayable by six half-yearly installments commencing on 2 May 2006.

At the close of business on 31 March 2005, the Group had balances of HK\$29,580,000 due to jointly controlled entities, balances of HK\$26,529,000 due to an associate, balance of HK\$2,794,000 due to minority shareholders, ordinary share dividend of HK\$22,000,000 payable to intermediate holding company and preference share dividend of HK\$275,000 payable to immediate holding company.

At the close of business on 31 March 2005, the Group had given guarantee to financial institution in respect of banking facilities of HK\$35,000,000 granted to an associate and guarantee for tender, retention and performance bonds of HK\$23,414,800 in respect of construction contracts.

At the close of business on 31 March 2005, the Group had pledged bank deposit of HK\$12,341,000 to secure the banking facilities granted to the Group and jointly controlled entities.

Save as aforesaid and apart from intra-group liabilities, the Group did not have any outstanding mortgages, charges, debentures, loan capital and overdraft or other similar indebtedness, finance leases or hire purchase commitment, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities at the close of business on 31 March 2005.

5. WORKING CAPITAL

The Directors are of the opinion that upon completion of the JV Agreements, the Group will have sufficient working capital for its requirements for the 12 months from the date of this circular.

6. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2004, the date of which the latest audited financial statements of the Group were made up.

7. PRO FORMA ADJUSTED CONSOLIDATED BALANCE SHEET OF THE GROUP

The information set out in this section is prepared in accordance with Rule 4.29 of Listing Rules and is for information purposes only and does not form part of the audited financial statements as set out in section 2 of this Appendix.

The pro forma adjusted consolidated balance sheet of the Group presented below does not purport to present what the financial information would actually have been if the joint venture company had been formed and are included for information purposes only. The pro forma adjusted consolidated balance sheet was prepared for illustrative purpose only and because of its nature, it may not give a true picture of the financial position of the Group at any dates.

The pro forma adjusted consolidated balance sheet should be read in conjunction with the historical financial information of the Group and other financial information included elsewhere in this circular.

Set out below is the pro forma adjusted consolidated balance sheet of the Group at 31 December 2004. The pro forma adjusted consolidated balance sheet has been prepared based on the audited consolidated balance sheet of the Group which is set out in Section 2 of this Appendix and after making certain pro forma adjustments as set out below.

The pro forma adjusted consolidated balance sheet has been prepared on a basis consistent in all material respects with the accounting policies currently adopted by the Group as summarised in Section 2 of this Appendix. The pro forma adjusted consolidated balance sheet has been prepared on the assumption that the proposed formation of the joint venture company had taken place at 31 December 2004.

Build King Holdings Limited

Pro forma adjusted consolidated balance sheet

At 31 December 2004

	Balance at 31.12.2004 per audited accounts HK\$'000		Pro forma adjustments Notes Amount HK\$'000	Pro forma balances HK\$'000
Non-current assets				
Property, plant and equipment	25,324			25,324
Goodwill	30,554			30,554
Interests in subsidiaries	–	(a)	40,264	–
		(c)	(40,264)	
Interests in associates	4,535			4,535
Interests in joint ventures	52,118			52,118
Investments in securities	28,302			28,302
	<u>140,833</u>			<u>140,833</u>

7. PRO FORMA ADJUSTED CONSOLIDATED BALANCE SHEET OF THE GROUP
(Continued)

	Balance at 31.12.2004 per audited accounts HK\$'000	Pro forma adjustments Notes Amount HK\$'000	Pro forma balances HK\$'000
Current assets			
Amount due from customers			
for contract work	33,190		33,190
Debtors, deposits and prepayments	81,586		81,586
Amount due from a fellow subsidiary	1,363		1,363
Amounts due from associates	14,809		14,809
Amounts due from jointly controlled entities	2,964		2,964
Investments in securities	55,430		55,430
Income tax recoverable	9,985		9,985
Bank deposits pledged	19,038		19,038
Bank balances and cash	51,848	(b) (a)	42,151 (40,264)
	<u>270,213</u>		<u>272,100</u>
Current liabilities			
Amount due to customers			
for contract work	10,035		10,035
Creditors and accrued charges	157,631		157,631
Amount due to an intermediate holding company	3,710		3,710
Amounts due to fellow subsidiaries	606		606
Amounts due to jointly controlled entities	28,270		28,270
Amounts due to minority shareholders	2,794		2,794
Ordinary share dividend payable to intermediate holding company	22,000		22,000
Preference share dividend payable to immediate holding company	200		200
Income tax liabilities	12,014		12,014
	<u>237,260</u>		<u>237,260</u>
Net current assets	<u>32,953</u>		<u>34,840</u>
Total assets less current liabilities	<u>173,786</u>		<u>175,673</u>
Minority interests	<u>5,450</u>	(c)	<u>1,887</u>
Non-current liabilities			
Amounts due to associates	33,159		33,159
Amounts due to jointly controlled entities	4,070		4,070
Bank loan - due after one year	20,000		20,000
	<u>57,229</u>		<u>57,229</u>
	<u>111,107</u>		<u>111,107</u>
Capital and reserves			
Ordinary share capital	78,141	(b) (c)	42,151 (42,151)
Convertible preference share capital	15,000		15,000
Reserves	17,966		17,966
	<u>111,107</u>		<u>111,107</u>

Notes:

- a. To record the investment made by the Group to the joint venture company.
- b. To record the cash received by the joint venture company in respect of the registered capital contributed by the joint venture partners.
- c. To eliminate the cost of investments by the Group in the joint venture company.
- d. The Hong Kong Institute of Certified Public Accountants has issued a number of new and revised Hong Kong Financial Reporting Standards (“HKFRS(s)”) and Hong Kong Accounting Standards (“HKAS(s)”), herein collectively referred as the new HKFRSs, which are generally effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 December 2004.

The Group has commenced considering the potential impact of these new HKFRSs but is not yet in a position to determine whether these HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented. These HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

The Group has preliminary identified the following possible impact on the accounting policies of the Group and the related possible financial impact:

Interests in jointly controlled entities

As set out in the audited financial statements of the Group in Section 2 of this Appendix, the Group’s interests in jointly-controlled entities were stated in the consolidated balance sheet at the Group’s share of net assets under the equity method of accounting, less any impairment losses. Under the HKAS 31, the Group will have a choice to continue to use the equity method of accounting or to apply proportionate consolidation to account for the Group’s interests in jointly controlled entities. If the proportionate consolidation is adopted, the Group’s shares of each of the assets, liabilities, income and expenses of the jointly controlled entities will be combined line by line with similar items in the Group’s financial statements or reported as separate line items in the Group’s financial statements. However, there will be no impact on the Group’s net profit for the year and the shareholders’ equity.

Financial assets and liabilities

As set out in the audited financial statements of the Group in Section 2 of this Appendix, the Group’s investments in securities will be initially recognised at cost. At the subsequent reporting dates, debt securities, investment securities and other investments are measured at amortised cost less any identified impairment losses, cost less any identified impairment losses or at fair value with the unrealised gain or loss dealt with in the income statement respectively.

HKAS 39 defines a financial instrument as any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity and introduce different criteria on the classification of investments. The scope of HKAS 39 therefore extends to items such as trade receivables and payables, loans and investments.

Financial assets are classified on inception into loans and receivables, held-to-maturity investments, held for trading, designated at fair value through profit or loss and available for sale and will be accounted for by amortised cost or fair value whichever it is appropriate. Depending on the classification, the changes in fair values may be dealt with either in the income statement or in equity until upon disposal of the financial asset or the financial asset is determined to be impaired. Financial liabilities are either carried at fair value through profit or loss or at cost.

Any potential adjustments arising from the adoption of HKAS 39 to the previous carrying amounts of the financial assets and liabilities should be recognised as an adjustment to balance of the retained profits at the beginning of the financial year ending 31 December 2005. No retrospective application is required.

Goodwill

As set out in the audited financial statements of the Group in Section 2 of this Appendix, goodwill arising on the group restructuring was amortised using the straight line method over its estimated useful life of fifteen years. Under HKFRS 3, goodwill is not amortised and shall be tested at least annually for impairment and stated net of impairment losses at the balance sheet date.

According to HKFRS 3, this new accounting policy shall be applied prospectively.

8. REPORT ON PRO FORMA ADJUSTED CONSOLIDATED BALANCE SHEET OF THE GROUP

The following is the text of a report received from Deloitte Touche Tohmatsu, Certified Public Accountants, in respect of the pro forma adjusted consolidated balance sheet of the Group as set out in the paragraph headed “Pro forma adjusted consolidated balance sheet of the Group” of this appendix for the incorporation in this circular.

Deloitte.
德勤

6 May 2005

The Directors
Build King Holdings Limited

Dear Sirs,

We report on the pro forma financial information of Build King Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) set out in Section 7 of Appendix I to the circular dated 6 May 2005 in connection with the formation of joint venture company (the “Proposed Transaction”), which has been prepared, for illustrative purposes only, to provide information about how the Proposed Transaction might have affected the financial information presented.

Responsibilities

It is the responsibility solely of the directors of the Company to prepare the pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work with reference to the Statements of Investment Circular Reporting Standards and Bulletin 1998/8 “Reporting on pro forma financial information pursuant to the listing rules” issued by the Auditing Practices Board in the United Kingdom, where applicable. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the pro forma financial information with the directors of the Company.

Our work does not constitute an audit or a review in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants and accordingly we do not express any such assurance on the pro forma financial information.

The pro forma financial information has been prepared on the basis set out in Section 7 of Appendix I to the circular for illustrative purpose only and, because of its nature, it may not give an indicative financial position of the Group as at 31 December 2004.

Opinion

In our opinion:

- a) the pro forma financial information has been properly compiled on the basis stated;
- b) such basis is consistent with the accounting policies of the Group; and
- c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' interests and short position

As at the Latest Practicable Date, the interests (including short positions) of the Directors and chief executive of the Company (including their respective spouses, infant children, related trusts and companies controlled by them) in the Shares, convertible securities, warrants, options or derivatives in respect of securities which carry voting rights of the Company and its associated corporations (within the meaning of the SFO), which require notification pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short position in which any such Director or chief executive is taken or deemed to have under such provisions of the SFO) or which were required to be entered in the register kept by the Company pursuant to section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange, pursuant to the Model Code for Securities Transactions by Directors of Listing Companies in the Listing Rules, were as follows:

The Company

Name of Director	Capacity/ Nature of interest	Number of Shares held		Percentage of shareholding (%)
		Long position	Short position	
Zen Wei Peu, Derek	Personal	69,715,421 (Note)	–	8.92
Yu Sai Yen	Personal	16,666,000	–	2.13
David Howard Gem	Personal	140,000	–	0.018
Cheng Chi Pang, Leslie	Personal	140,000	–	0.018

Note: The number of Shares taken to be interested or have a long position by Mr. Zen Wei Peu, Derek includes (i) 49,715,421 Shares and (ii) the purchasing right granted to him to purchase 20,000,000 Shares pursuant to the Staff Share Purchasing Scheme adopted by Wai Kee, the ultimate holding company of the Company, on 15 March 2004.

Associated corporations

Name of Director	Name of company	Capacity/ Nature of interest	Number of Shares held		Percentage of shareholding (%)
			Long position	Short position	
Zen Wei Peu, Derek	Wai Kee	Personal	185,057,078 (Note 1)	–	23.33
	Wai Kee (Zens) Construction & Transportation Company Limited (“WKC&T”)	Personal	2,000,000 (Note 2)	–	10.00
	Wai Luen Stone Products Limited	Personal	30,000 (Note 3)	–	37.50
David Howard Gem	Wai Kee	Personal	500,000 (Note 4)	–	0.06
	Kier Hong Kong Limited	Corporate	75,000 (Note 5)	–	1.50
Cheng Chi Pang, Leslie	Wai Kee	Personal	500,000 (Note 6)	–	0.06

Notes:

1. The number of shares taken to be interested or have a long position by Mr. Zen Wei Peu, Derek is 185,057,078 ordinary shares of HK\$0.10 each in the capital of Wai Kee.
2. The number of shares taken to be interested or have a long position by Mr. Zen Wei Peu, Derek is 2,000,000 non-voting deferred shares of HK\$1.00 each in the capital of WKC&T, a wholly owned subsidiary of the Company.
3. The number of shares taken to be interested or have a long position by Mr. Zen Wei Peu, Derek is 30,000 non-voting deferred shares of HK\$10.00 each in the capital of Wai Luen Stone Products Limited, a wholly owned subsidiary of Wai Kee.
4. The number of shares taken to be interested or have a long position by Mr. David Howard Gem is 500,000 ordinary shares of HK\$0.10 each in the capital of Wai Kee.
5. The number of shares taken to be interested or have a long position by Mr. David Howard Gem is 75,000 ordinary shares of £1.00 each in the capital of Kier Hong Kong Limited through his 100% interest in Transoceanic Ventures Limited.
6. The number of shares taken to be interested or have a long position by Dr. Cheng Chi Pang, Leslie is 500,000 ordinary shares of HK\$0.10 each in the capital of Wai Kee.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in any equity or debt securities of

the Company or any associated corporations (within the meaning of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions in which any such Director or chief executive is taken or deemed to have under such provisions of the SFO) or which were required to be entered in the register kept by the Company pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange.

(b) Interests of substantial shareholders

The Company

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

Name of substantial Shareholder	Capacity/ Nature of interest	Number of Shares held in the Company and percentage of shareholding			
		Long position		Short position	
		Number of Shares	%	Number of Shares	%
Top Horizon Holdings Limited ("Top Horizon") (Note 1(a))	Personal/ Beneficiary	592,421,270 (Notes 1 and 2)	75.81	71,600,000 (Note 4)	9.16
Wai Kee (Zens) Holding Limited ("Wai Kee (Zens)") (Note 1(b))	Personal/ Beneficiary	5	0.00	–	–
	Corporate	592,421,270 (Notes 1 and 3)	75.81	71,600,000 (Note 4)	9.16
Wai Kee (Note 1(c))	Corporate	592,421,275 (Notes 1 and 3)	75.81	71,600,000 (Note 4)	9.16
Vast Earn Group Limited (Note 1(d))	Personal/ Beneficiary	59,883,040 (Note 1)	7.66	–	–

Name of substantial Shareholder	Capacity/ Nature of interest	Number of Shares held in the Company and percentage of shareholding			
		Long position		Short position	
		<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
NWS Service Management Limited (incorporated in the British Virgin Islands) (Note 1(e))	Corporate	59,883,040 (Note 1)	7.66	–	–
NWS Service Management Limited (incorporated in the Cayman Islands) (Note 1(f))	Corporate	59,883,040 (Note 1)	7.66	–	–
NWS Holdings Limited (Note 1(g))	Corporate	59,883,040 (Note 1)	7.66	–	–
New World Development Company Limited (Note 1(h))	Corporate	59,883,040 (Note 1)	7.66	–	–
Chow Tai Fook Enterprises Limited (Note 1(i))	Corporate	59,883,040 (Note 1)	7.66	–	–

Notes:

1. Long position in the Shares
 - (a) Top Horizon is a direct wholly owned subsidiary of Wai Kee (Zens).
 - (b) Wai Kee (Zens) is deemed to be interested in the Shares through its interests in Top Horizon.
 - (c) Wai Kee (Zens) is a direct wholly owned subsidiary of Wai Kee. Accordingly, Wai Kee is deemed to be interested in the Shares through its interests in its wholly owned subsidiaries, namely Wai Kee (Zens) and Top Horizon.
 - (d) Vast Earn Group Limited is a wholly owned subsidiary of NWS Service Management Limited (incorporated in the British Virgin Islands).
 - (e) NWS Service Management Limited (incorporated in the British Virgin Islands) is deemed to be interested in the Shares through its interests in its wholly owned subsidiary, namely Vast Earn Group Limited.
 - (f) NWS Service Management Limited (incorporated in the Cayman Islands) 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.

- (g) NWS Holdings Limited is deemed to be interested in the Shares through its interests in its wholly owned subsidiaries, namely NWS Services Management Limited (incorporated in the Cayman Islands), NWS Service Management Limited (incorporated in the British Virgin Islands) and Vast Earn Group Limited.
 - (h) 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.
 - (i) 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.
2. The number of Shares taken to be interested or to have a long position by Top Horizon includes (i) 422,421,270 Shares; (ii) derivative of 1,500,000,000 convertible preference shares in the capital of the Company, which can be convertible into 150,000,000 Shares pursuant to the terms of issue of convertible preference shares; and (iii) a creditors put option whereby the creditors of the Company and/or the scheme administrators may, at their sole direction, sell all or part of 20,000,000 Shares to Wai Kee at a price of HK\$0.10 per Share exercisable within 90 days after the expiry of two years following completion of the Scheme of Arrangement (as defined in the circular dated 24 February 2004).
 3. The number of Shares taken to be interested or to have a long position by Wai Kee (Zens) and Wai Kee includes (i) 422,421,275 Shares; (ii) derivative of 1,500,000,000 convertible preference shares in the capital of the Company, which can be convertible into 150,000,000 Shares pursuant to the terms of issue of convertible preference share; and (iii) a creditors put option whereby the creditors of the Company and/or the scheme administrators may, at their sole discretion, sell all or part of 20,000,000 Shares to Wai Kee at a price of HK\$0.10 per Share exercisable within 90 days after the expiry of two years following completion of the Scheme of Arrangement.
 4. The number of Shares taken to be interested or to have a short position by Top Horizon, Wai Kee (Zens) and Wai Kee is 71,600,000 Shares, Pursuant to the Staff Share Purchasing Scheme (the "Scheme") adopted by Wai Kee on 15 March 2004, 71,600,000 purchasing rights granted to eligible participants as defined in the Scheme for acquisition remained outstanding.

Other members of the Group

As at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company and save as disclosed in this circular, the persons (other than a Director or chief executive of the Company or a member of the Group) who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group were as follows:

Name of subsidiary	Name of shareholder	Percentage of interest held (%)
Cheuk Wah Construction Engineering Limited	Goldky Industries Limited	40
Eastar Construction Engineering Limited	Fulight Engineering Limited	20
Huge Host Engineering Limited	Downer Mining (Asia) Limited	30

Save as disclosed above, so far as known to the Directors, the Directors and chief executive of the Company were not aware that there was any person (other than a Director or chief executive of the Company) who, at the Latest Practicable Date, had an interest or short position 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, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group, or in any option, in respect of such capital.

3. COMPETING INTERESTS

Mr. David Howard Gem holds 1.5% interest in Kier Hong Kong Limited, a company incorporated in the United Kingdom, the principal activity of which is civil engineering, construction and building in Hong Kong.

Save as disclosed above, none of the Directors and their respective associates have any interests in a business, which competes or may compete with the business of the Group.

4. DIRECTORS' INTEREST IN ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any asset which had been acquired, or disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group since 31 December 2004, the date to which the latest published audited financial statements of the Group were made up.

5. DIRECTORS' INTERESTS IN CONTRACTS

None of the Directors is materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group subsisting at the date of this circular and which is significant in relation to the business of the Group.

6. DIRECTORS' SERVICE CONTRACTS

Mr. Zen Wei Peu, Derek and Mr. Yu Sai Yen, both Directors, have entered into service contracts with the Company for a term of three years, commencing from 1 May 2004. Mr. Zen and Mr. Yu are entitled to an annual salary of HK\$2.5 million and HK\$2.04 million, respectively. Mr. Yu is also entitled to a discretionary bonus under the profit sharing scheme of the Company, life insurance benefit, and the Group's medical insurance scheme and mandatory provident fund scheme.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group (excluding contracts expiring or determinable within one year without payment of compensation other than statutory compensation).

7. MATERIAL CONTRACTS

As incomplete records were maintained prior to the completion of restructuring of the Company on 23 April 2004, to the best of the knowledge of all Directors, having made all reasonable enquiries, the following contracts (not being contracts entered into in the ordinary course of business carried by the Group) have been entered into by the Group and are or may be material within the two years preceding the issue of this circular:

- (a) the agreement dated 20 November 2003 and the supplemental agreement dated 17 March 2004 entered into among I-China Holdings Limited (provisional liquidators appointed) (now known as Build King Holdings Limited), the provisional liquidators, Wai Kee as the investor and RSM Nelson Wheeler Corporate Advisory Services Limited as escrow agent in relation to the implementation of a restructuring proposal;
- (b) the subscription agreement dated 17 March 2004 entered into among Wai Kee, the provisional liquidators and I-China Holdings Limited (provisional liquidators appointed) in relation to certain ordinary shares and preference shares in the capital of I-China Holdings Limited (provisional liquidators appointed); and
- (c) a joint venture agreement dated 2 November 2004 entered into between WKC&T and CRTG in relation to the investments in CRTE.

8. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or claim of material importance and, so far as the Directors were aware, no litigation or claims of material importance were pending or threatened by or against any member of the Group.

9. EXPERT'S QUALIFICATION AND CONSENT

The following is the qualification of the expert who has given its opinion or advice which is contained in this circular:

Name	Qualification
Deloitte Touche Tohmatsu	Certified Public Accountants

Deloitte Touche Tohmatsu have given and have not withdrawn their written consent to the issue of this circular with the inclusion of their letter and references to their name in the form and context in which they appear.

10. EXPERT'S INTERESTS

As at the Latest Practicable Date, Deloitte Touche Tohmatsu did not have any direct or indirect interest in any asset which had been acquired, or disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group, since 31 December 2004, the date to which the latest published audited financial statements of the Group were made up; and was not beneficially interested in the share capital of any member of the Group and did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

11. PROCEDURES FOR DEMANDING A POLL

Pursuant to Bye-law 75 of the Bye-laws of the Company, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded by:

- (a) the chairman; or
- (b) at least three members present in person or by proxy or by representative for the time being entitled to vote at the meeting; or
- (c) any member or members present in person or by proxy or by representative and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (d) a member or members present in person or by proxy or by representative and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

12. GENERAL

- (a) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The head office and principal place of business of the Company is situated at Units 1001-1015, 10th Floor, Tower 1, Grand Central Plaza, 138 Shatin Rural Committee Road, Shatin, New Territories, Hong Kong.
- (b) The company secretary of the Company is Mr. Fong Shiu Leung, Kater. Mr. Fong is a certified practicing accountant in Australia and a fellow member of The Hong Kong Institute of Certified Public Accountants.
- (c) The qualified accountant of the Company is Mr. Chang Kam Chuen, Desmond. Mr. Chang is a fellow member of The Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants.
- (d) The branch share registrar and transfer office of the Company in Hong Kong is Progressive Registration Limited of Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wan Chai, Hong Kong.

- (e) The English text of this circular shall prevail over the Chinese text in case of any inconsistency.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company in Hong Kong at Units 1001-1015, 10th Floor, Tower 1, Grand Central Plaza, 138 Shatin Rural Committee Road, Shatin, New Territories, Hong Kong during normal business hours from the date of this circular up to and including 20 May 2005:

- (a) the memorandum and bye-laws of the Company;
- (b) the service contracts of the Directors referred to in this Appendix;
- (c) the material contracts referred to in this Appendix;
- (d) the JV Agreements;
- (e) the report from Deloitte Touche Tohmatsu in respect of the pro forma adjusted assets and liabilities of the Group, the text of which is set out in pages 50 to 51 of this circular;
- (f) the written consent of Deloitte Touche Tohmatsu as referred to in this Appendix; and
- (g) the annual reports of the Group for the year ended 31 March 2004 and for the year ended 31 December 2004.