BuildKing

BUILD KING HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 00240)

INTERIM RESULTS
FOR SIX MONTHS ENDED 30 JUNE 2008

FINANCIAL PERFORMANCE HIGHLIGHTS

Percentage of decrease in equity* per share**	15%
Equity	HK$152 million
Equity per share	16 cents
Group revenue and share of revenue of jointly controlled entities	HK$465 million
Loss attributable to equity holders of the Company	HK$29 million

* *equity refers to equity attributable to equity holders of the Company*

** *including the ordinary shares and convertible preference shares*

RESULTS

The board of directors (the "Board") of Build King Holdings Limited (the "Company") announces the unaudited interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2008 together with the comparative figures for the last corresponding period as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2008

		Six months ended 30 June	
		2008	2007
		(Unaudited)	(Unaudited & restated)
	NOTES	***HK$'000***	*HK$'000*
Revenue	*3*	**350,639**	420,331
Cost of sales		**(338,679)**	(404,966)
Gross profit		**11,960**	15,365
Other income	*5*	**6,702**	2,553
(Decrease) increase in fair value of held-for-trading investments		**(14,850)**	45,397
Administrative expenses		**(34,690)**	(29,807)
Finance costs	*6*	**(4,028)**	(5,634)
Share of results of jointly controlled entities		**4,558**	6,957
Share of results of associates		**489**	–
(Loss) profit before tax	*7*	**(29,859)**	34,831
Income tax expense	*8*	**(2)**	(7,564)
(Loss) profit for the period		**(29,861)**	27,267
Attributable to:			
Equity holders of the Company		**(28,672)**	26,619
Minority interests		**(1,189)**	648
		(29,861)	27,267
Dividends:			
To the holders of 2% convertible preference shares		**110**	138
		HK cents	*HK cents*
(Loss) earnings per share	*9*		
– Basic		**(3.5)**	3.3
– Diluted		**N/A**	3.0

CONDENSED CONSOLIDATED BALANCE SHEET

At 30 June 2008

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

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

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

2. Principal accounting policies

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

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

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

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

The adoption of these new Interpretations, other than HK(IFRIC) – Int 12 "Service Concession Arrangements" had no material effect on the results or financial position of the Group for the current or prior accounting period:

Service concession arrangements

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

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

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

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

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

For the annual period beginning on 1 January 2008, the Group applied this interpretation retrospectively and the financial impact on application of this interpretation is summarised below:

SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The effect of changes in accounting policies described above on the results for the current and prior period by line items presented according to their function are as follows:

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

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

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

The cumulative effect of the application of the new Interpretation as at 31 December 2007 is summarized below:

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

The effect of the application of the new Interpretation on the Group's equity at 1 January 2007 are summarized below:

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

The effect of the application of the new Interpretation on the Group's basic and diluted earnings per share for the prior period are as follows:

Impact on basic earnings per share

	Six months ended 30 June 2007
	HK cents
Before adjustments	3.1
Adjustments arising from changes in accounting policies	0.2
As adjusted	3.3

Impact on diluted earnings per share

	Six months ended 30 June 2007
	HK cents
Before adjustments	2.7
Adjustments arising from changes in accounting policies	0.3
As adjusted	3.0

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

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

[1] Effective for annual periods beginning on or after 1 January 2009
[2] Effective for annual periods beginning on or after 1 July 2009
[3] Effective for annual periods beginning on or after 1 July 2008

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

3. Revenue

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

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

4. **Segmental information**

(a) Business segments

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

(b) Geographical segments

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

	Hong Kong	**Taiwan**	**The PRC**	**Middle East**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Six months ended 30 June 2008					
Results					
Segment group revenue	**327,473**	**13,057**	**3,041**	**7,068**	**350,639**
Segment results	**(9,672)**	**(967)**	**(1,470)**	**(5,555)**	**(17,664)**
Unallocated corporate expenses					**(45)**
Dividends from held-for-trading investments					**1,681**
Decrease in fair value of held-for-trading investments					**(14,850)**
Share of results of jointly controlled entities	**4,826**	**–**	**(2,811)**	**2,543**	**4,558**
Share of results of associates	**489**	**–**	**–**	**–**	**489**
Finance costs					**(4,028)**
Loss before tax					**(29,859)**
Income tax expense					**(2)**
Loss for the period					**(29,861)**

	Hong Kong	Taiwan	The PRC	Middle East	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Six months ended 30 June 2007					
Results					
Segment group revenue	391,286	4,913	17,939	6,193	420,331
Segment results	(5,415)	(512)	(1,795)	(3,920)	(11,642)
Unallocated corporate expenses					(1,279)
Dividends from held-for-trading investments					1,032
Increase in fair value of held-for-trading investments					45,397
Share of results of jointly controlled entities	8,636	–	(1,679)	–	6,957
Finance costs					(5,634)
Profit before tax					34,831
Income tax expense					(7,564)
Profit for the period					27,267

There are no inter-segment sales for both periods.

5. Other income

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

6. Finance costs

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

7. (Loss) profit before tax

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

8. Income tax expense

	Six months ended 30 June	
	2008	2007
	HK$'000	*HK$'000*
Current tax:		
Hong Kong	**–**	7,564
Underprovision in prior years:		
Other jurisdictions	**2**	–
	2	7,564

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

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

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

9. (Loss) earnings per share

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

	Six months ended 30 June	
	2008	2007
	HK$'000	*HK$'000*
(Loss) profit for the period attributable to ordinary equity holders of the Company	**(28,672)**	26,619
Dividends on convertible preference share capital	**(110)**	(138)
(Loss) earnings for the purpose of basic (loss) earnings per share	**(28,782)**	26,481
Effect of dilutive potential ordinary shares:		
Dividends on convertible preference share capital	**110**	138
(Loss) earnings for the purpose of diluted (loss) earnings per share	**(28,672)**	26,619

	Number of shares	
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**821,408**	792,016
Effect of dilutive potential ordinary shares:		
Convertible preference share capital	**110,000**	110,000
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	**931,408**	902,016

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

10. Property, plant and equipment

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

11. Debtors, deposits and prepayments

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

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

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

12. Creditors and accrued charges

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

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

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

INTERIM DIVIDEND

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

Operating Results

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

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

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

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

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

Hong Kong

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

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

PRC

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

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

Middle East

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

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

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

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

Taiwan

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

Employees and remuneration policies

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

FINANCIAL REVIEW

Liquidity and financial resources

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

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

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

Capital structure and gearing

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

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

Pledge of assets

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

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

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

Commitment

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

Contingent liabilities

	As at 30 June 2008	As at 31 December 2007
	HK$ million	*HK$ million*
Outstanding tender/performance/retention bonds in respect of construction contracts	**126**	110

AUDIT COMMITTEE

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

CORPORATE GOVERNANCE

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

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

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

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

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

APPRECIATION

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

On behalf of the Board
Zen Wei Peu, Derek
Chairman

Hong Kong, 21 August 2008

As at the date hereof, the Board comprises three executive directors, namely Mr. Zen Wei Peu, Derek, Mr. Yu Sai Yen and Mr. Chang Kam Chuen, Desmond, three non-executive directors, namely Mr. David Howard Gem, Dr. Cheng Chi Pang, Leslie and Mr. Lam Wai Hon, Patrick, and three independent non-executive directors, namely Dr. Chow Ming Kuen, Joseph, Mr. Ng Chi Ming, James and Mr. Ho Tai Wai, David.