Wai Kee Holdings Limited

(Incorporated in Bermuda with limited liability)

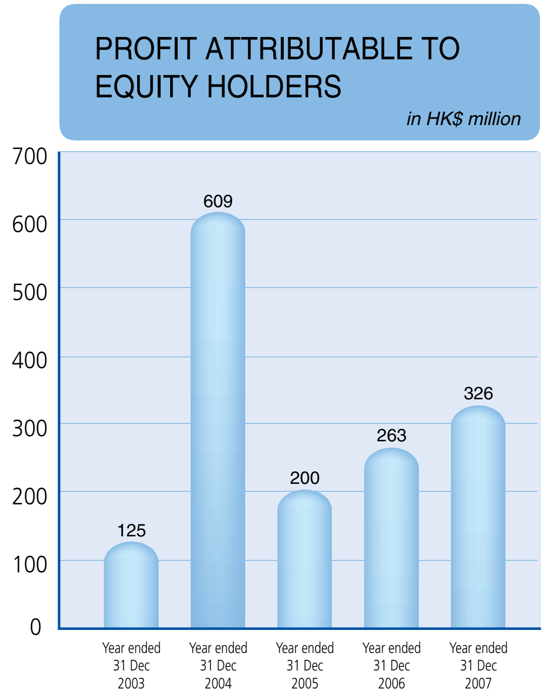
(Stock Code: 610)

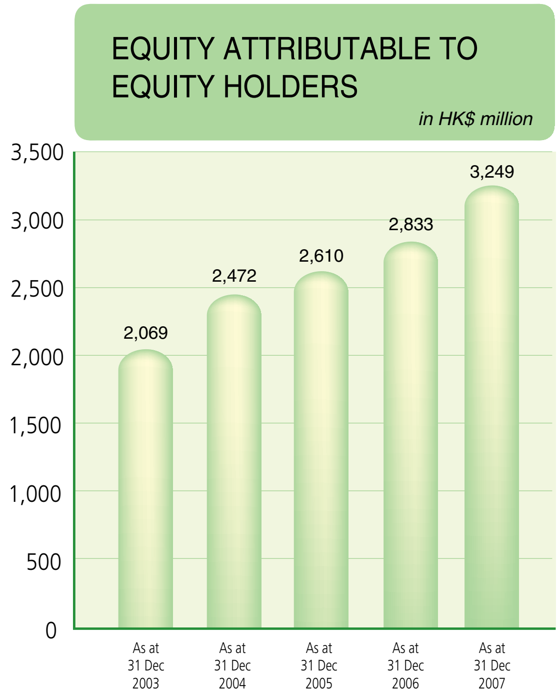
2007 Annual Report

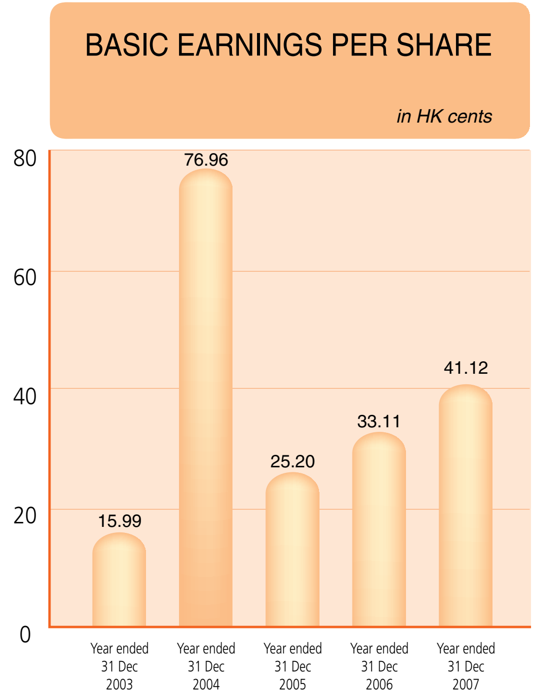
Contents

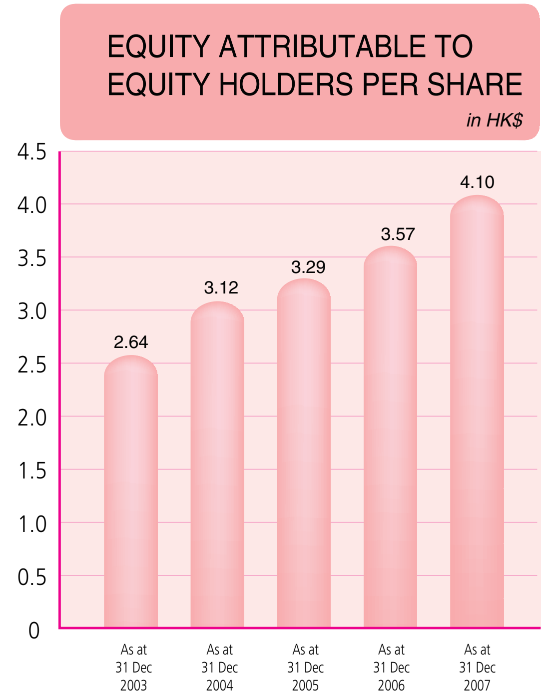
	Year ended 31st December,	
	2007	2006
	HK$'million	*HK$'million*
Group turnover and share of turnover of jointly controlled entities	**1,360**	1,062
Profit before tax	**337**	291
Profit attributable to equity holders	**326**	263
	HK cents	*HK cents*
Basic earnings per share	**41.12**	33.11
Dividends per share	**12**	12
Return on equity attributable to equity holders	**10.0%**	9.3%

	As at 31st December,	
	2007	2006
	HK$'million	*HK$'million*
Total assets	**4,139**	3,602
Total liabilities	**(818)**	(701)
Minority interests	**(72)**	(68)
Equity attributable to equity holders	**3,249**	2,833
	HK$	*HK$*
Equity attributable to equity holders per share	**4.10**	3.57


PROFIT ATTRIBUTABLE TO EQUITY HOLDERS
in HK$ million
700
600
500
400
300
200
100
0
125
609
200
263
326
Year ended 31 Dec 2003
Year ended 31 Dec 2004
Year ended 31 Dec 2005
Year ended 31 Dec 2006
Year ended 31 Dec 2007


EQUITY ATTRIBUTABLE TO EQUITY HOLDERS
in HK$ million
3,500
3,000
2,500
2,000
1,500
1,000
500
0
2,069
2,472
2,610
2,833
3,249
As at 31 Dec 2003
As at 31 Dec 2004
As at 31 Dec 2005
As at 31 Dec 2006
As at 31 Dec 2007


BASIC EARNINGS PER SHARE
in HK cents
80
60
40
20
0
15.99
76.96
25.20
33.11
41.12
Year ended 31 Dec 2003
Year ended 31 Dec 2004
Year ended 31 Dec 2005
Year ended 31 Dec 2006
Year ended 31 Dec 2007


EQUITY ATTRIBUTABLE TO EQUITY HOLDERS PER SHARE
in HK$
4.5
4.0
3.5
3.0
2.5
2.0
1.5
1.0
0.5
0
2.64
3.12
3.29
3.57
4.10
As at 31 Dec 2003
As at 31 Dec 2004
As at 31 Dec 2005
As at 31 Dec 2006
As at 31 Dec 2007

Zen Wei Pao, William
Chairman

Dear shareholders,

The board of directors (the "Board") of the Company announces that the Group's audited revenue for the year ended 31st December, 2007 was HK$873 million (2006: HK$678 million) generating an audited consolidated profit attributable to equity holders of HK$326 million (2006: HK$263 million), an increase of 24% as compared with that of year 2006. If including revenue of jointly controlled entities shared by the Group, the Group's revenue for the year was HK$1,360 million (2006: HK$1,062 million).

At the forthcoming Annual General Meeting to be held on 26th May, 2008, the Board will recommend the payment of a final dividend of HK6 cents (2006: HK6 cents) per share.

BUSINESS REVIEW

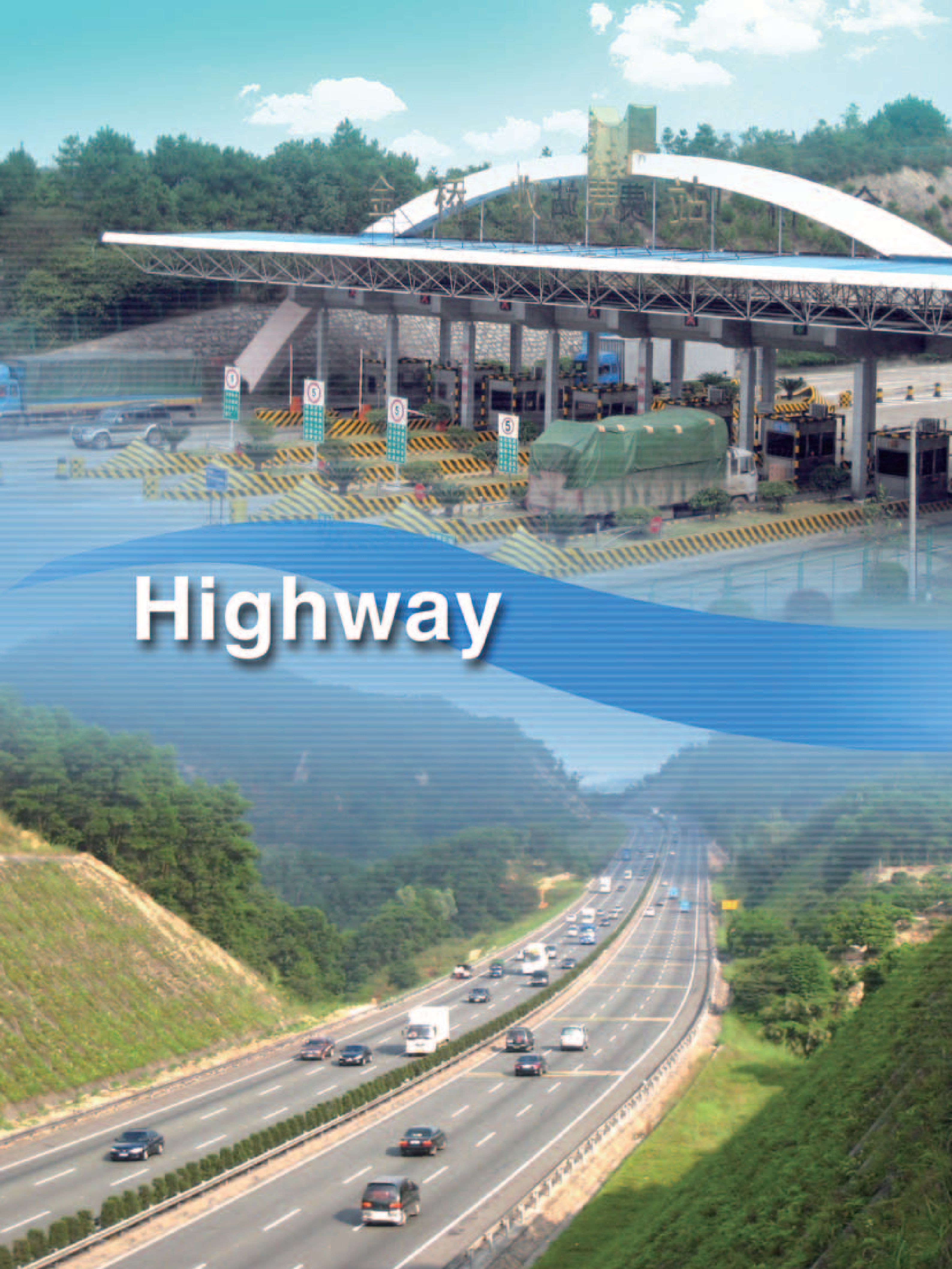
Highway and Expressway Operations and Property Development

Road King Infrastructure Limited ("Road King"), an associate of the Group, contributed profit of HK$343 million to the Group for the year ended 31st December, 2007 (2006: HK$340 million), of which HK$191 million was from its highway and expressway operations and HK$152 million was from its property development. During the year, Road King issued new shares by placing to various investors and upon exercise of options granted to its directors and employees under the share option scheme of Road King. As a result of the dilution effect on the Group's interest in Road King, the Group recorded a total net gain on deemed disposals of partial interest in Road King of HK$23 million (2006: HK$36 million). Though the Group acquired some additional interests in Road King during the year, the interest of the Group in Road King was still reduced in net effect by 2.3% to 37.6% at the balance sheet date.

With respect to the property development, in addition to the contribution from Road King, the profit contributed from Sunco Property Holdings Company Limited ("Sunco Property") for the year was HK$9 million subsequent to the completion of the acquisition of Sunco Property in early 2007. At the balance sheet date, the Group directly held 5.28% interest in Sunco Property in addition to the effective interest of 33.3% held through Road King.

For the year ended 31st December, 2007, Road King recorded an audited profit attributable to equity holders of HK$851 million (2006: HK$705 million), an increase of 21% as compared with that of 2006.

Highway



BUSINESS REVIEW *(Continued)*

Highway and Expressway Operations and Property Development *(Continued)*

For the year, traffic volume and revenue of the toll road projects were 130 million vehicles and RMB2.3 billion respectively. Compared with those in 2006 (reduced by the traffic volume and revenue of the disposed project), 11% and 16% rises were achieved.

Benefited from the economic growth in China, Road King's expressway continued to perform well in 2007. Revenue and cashflow generated from the expressway projects accounted for 67% and 65% respectively of Road King's toll revenue and cashflow. In 2007, Road King had disposed of 25% of the equity interest in three Class II highways, of which Road King owned 60% equity interest prior to the disposal. In addition, a framework agreement has been signed to dispose of certain interests and assets in two highways respectively in Guangxi Zhuang Autonomous Region. It is expected the transaction to be completed in 2009. These disposals are in line with Road King's strategy to dispose of Class I/II highway projects to enhance investment returns.

Road King did not commit any investment in new expressway project in 2007 due to the uncertainties in the regulatory approval procedures. However, it is still evaluating and negotiating several new expressway projects. Upon the clarification of the procedures, Road King will consider to materialise new investments.

The revenue generated from property development business surged substantially from HK$506 million in 2006 to HK$2,408 million in 2007 and the total contracted sales and pre-sales of properties in 2007 amounted to about 444,000 sq. m. in aggregate.

In 2007, seven wholly-owned property development projects had achieved satisfactory progress. The selling price of the projects in Guangzhou far exceeded the original expectation. The Changzhou projects were well perceived by the locals; and operation of Phoenix City in Suzhou had gradually been integrated into Road King's stringent management systems and thus improving its development.

Road King completed the acquisition of 49% equity interest in Sunco Property in January 2007. In July 2007, Road King increased its shareholding in Sunco Property to 88.5%. The procedural steps of the acquisition of Sunco Property have caused certain commercial disputes. Road King is currently undertaking legal actions to obtain the management control of its two projects in Tianjin held under Sunco Property. It has also filed a writ against the former major shareholders of Sunco Property ("Former Sunco Major Shareholders") in relation to their failure to disclose certain hidden liabilities and payment obligations. Subsequent to commencement of Road King's legal proceedings against the Former Sunco Major Shareholders, they had issued a writ against Road King disputing the procedures for acquisition of certain projects which Road King considers groundless.

Properties

BUSINESS REVIEW *(Continued)*

Highway and Expressway Operations and Property Development *(Continued)*

In November 2007, Road King announced that it had submitted to The Stock Exchange of Hong Kong Limited (the "Stock Exchange") a proposal to spin-off its property development business. Currently, Road King is in discussion with the Stock Exchange in respect of the spin-off proposal. Road King will follow up closely and assess the impact on the financial markets caused by the sub-prime mortgage crisis on the spin-off proposal.

The toll road and the property businesses both leverage on Road King's experience and relationship in China and are complementary in characteristics, thus helping Road King to diversify the operating risk.

The toll road business brings stable cash inflow to Road King and serves as a robust source of profit. Road King will continue to explore opportunities to divest its Class I/II highway portfolio to maximize the value of the toll road business while continuing to identify new expressway projects.

Road King's property business will focus on resolving the legacy issues of the acquired projects and consolidating the management team. It also plans to impose stringent construction and sales programs, improve management and control systems, and look for new development opportunities.

Civil Construction

The Group's construction sector, Build King Holdings Limited ("Build King") registered revenue and share of revenue of jointly controlled entities of HK$1,286 million (2006: HK$989 million) and profit attributable to equity holders of HK$11 million (2006: HK$7 million) for the year ended 31st December, 2007, of which the Group's share was HK$6 million (2006: HK$4 million). The operating loss of HK$22 million was recorded by Build King before set-off by the net contribution (net of tax) from the investment in local listed shares of HK$33 million. As of the date of this report, the Group owns 55.58% interest in Build King.

During 2007, the construction of veterinary hospital at Ocean Park was well progressed and expected to be completed in first quarter of 2009. A building project in Tung Chung for a private developer commenced in mid 2007 and is now at full speed. In addition, two more projects of a total value over HK$100 million were secured in second half of 2007. Two new medium sized contracts, one for the former Kowloon-Canton Railway Corporation ("KCRC") at Hung Hom station and another, a pedestrian subway construction project, for private developers were well progressed. Build King also successfully bided two school building projects for Architectural Services Department, road and bridge work at Tuen Mun for Civil Engineering and Development Department and a noise barrier project on Tsing Tsuen Bridge for Highways Department.


Construction

BUSINESS REVIEW *(Continued)*

Civil Construction *(Continued)*

Amongst the projects awarded in previous years, Phase 1 development of Ecopark at Tuen Mun was completed satisfactorily and waiting for commencement of Phase 2 in early 2009; Pak Shek Kok civil works was substantially completed. Following the successful completion of the aircraft hangar project for Hong Kong Aircraft Engineering Company Limited (HAECO) in 2006, Build King completed the second hanger in 2007 for Hong Kong Business Aviation Centre Limited. The major refurbishment project at Hung Hom Bay was also approaching completion.

Following the merger of KCRC and MTR Corporation Limited and Chief Executive's proposal for new major railway projects, Build King is optimistic in the long term civil engineering market. Based on its track record and experience in major infrastructure works, Build King is confident that it could benefit from this long awaited wave of major projects. However, it is likely to take another twelve to eighteen months for construction work to commence and to see any significant progress.

In 2007, Build King's performance in China market segment was below expectation. Three site formation projects were all substantially completed in 2007. Its 49% stake joint venture, China Railway Tenth Group Third Engineering Co., Ltd. ("CRTE") had secured a new RMB40 million project of the construction of Services Areas for a new highway in Anhui Province. Due to the exceptionally bad weather in the winter of 2007, the current projects experienced varying degree of delay and CRTE is now taking measures to catch up with the delay.

On the environment sector, Wuxi Qianhui Sewage Treatment Plant was formally put into operation at the beginning of 2007; and the effluent consistently met with the statutory requirements. Though the volume of the sewage flowing into the plant in the first half of 2007 was considerably lower than the projected, the situation had improved significantly in the last quarter. There is no financial impact to Build King due to the guaranteed minimum payments being honoured by the local government. The new national discharge standards to be implemented in May 2008 will require some modifications to the plant. Build King expects that it will be able to recoup the additional costs of this upgrading.

On the building operations, the joint venture formed between Build King and Road King in Changzhou has completed and handed over Phase 1A of the residential development in Changzhou in November 2007 and the joint venture is pushing the remaining works to be completed before mid 2008.

There is a huge market potential in China, Build King is taking a positive but cautious step in revisiting its China strategy. Build King will continue to provide quality services to those clients seeking value-added solutions in both the civil and building sectors.

Quarry

BUSINESS REVIEW *(Continued)*

Civil Construction *(Continued)*

In the Middle East, the enquiry levels are high and there are a number of opportunities in the pipeline. On the construction projects, the Taweelah Power Plant intake structure was completed during the year and two new projects were secured. Currently, several tenders are outstanding and Build King believes that further successes are imminent. Opportunities for civil engineering works have yet to be crystallized but this will be an important objective to achieve in 2008. On the plant-chartering sector, the application for ship classification status is progressing very well. During 2007, the utilization of the vessels was ahead of last year. In order to meet the projects requirement, five more vessels will be mobilized from Hong Kong to the United Arab Emirates soon.

In Taiwan, Build King continued to adopt a cautious approach to the local market. In 2007, it successfully secured a government project of contract value of HK$110 million.

As of the date of this report, Build King had contracts on hand of about HK$5,338 million, of which about HK$1,707 million has yet to be completed.

Quarrying

The revenue of quarrying division for the year ended 31st December, 2007 was HK$29 million (2006: HK$43 million). This quarrying division recorded a nominal profit of HK$4 million for the year (2006: HK$13 million).

The total tonnage of quarry material sold in 2007 was 720,000 tons, a decrease of 32% compared with that of 2006. This is the lowest figure since the Group listed and is going to demonstrate how desperate a situation the construction industry is in and the construction material market is hit likewise.

As explained in the above section, despite Government's announcement of substantially increasing investment into infrastructure, there is no sign of any meaningful improvement in the construction market in 2008, but second half of 2009 will be a different matter. So let's hope the Group is about to see the end of the tunnel. In the meanwhile, the division needs to keep costs low (difficult in view of the rising oil price), and waits for market recovery. As always, should the operating environment improves or should right opportunities come along, the Group will not hesitate to make new investment, provided that it is certain of the long term prospect of the business.

Bio-Technology

BUSINESS REVIEW *(Continued)*

Bio-technology

The revenue of the bio-technology division for the year ended 31st December 2007 was HK$35 million (2006: HK$23 million). The division recorded a loss of HK$22 million for the year (2006: loss of HK$35 million, included a HK$15 million provision for fixed assets). The loss recorded this year included a HK$9 million provision for the fixed assets of the Hanchuan plant, the production operation of which is scheduled to be restructured in 2008.

In 2007, the bio-technology division has consolidated its business operation. Though the division continued to record an operating loss during 2007, the division recorded improvement both in production operation and sales. With strict quality control, the amount of returned goods was substantially reduced. The cash flow of the division had also recorded improvement. Notwithstanding the increased sales, the division managed to tighten the cash flow control and to reduce the account receivable cycle. The amount of bad debt provision was significantly reduced due to a tightened credit policy. The new local management team recruited in late 2006 and in early 2007 has deployed significant resources to develop sales in various provinces in China. During the year, the division had successfully developed close relationship with several major customers.

In order to further consolidate the bio-technology division, the Board has decided to restructure the production plant situated in the Hanchuan industrial area. Some of the existing production facilities in the plant will be relocated to the existing Guannan plant in Wuhan. The restructuring and relocation will allow the division to concentrate its effort in higher profit margin products and to centralize its production for efficient operation. As a result of the restructuring and relocation, the Board has decided to make a HK$9 million provision in respect of the fixed assets of the Hanchuan plant.

In 2008, the division will further its effort to increase the gross profit margin of its products. In the meantime, the division will implement further measures to control the production and operating cost. With the higher quality products, a stronger sales team and a better customer base established in 2007 coupled with continued tight cost control measures and cash flow management, it is expected that the division will achieve a better result in 2008.

North American Ginseng ("NAG")

In 2007, Chai-Na-Ta Corp. ("CNT"), an associate of the Group in Canada, continued to report a net loss of C$3.3 million (2006: C$9.5 million) or C$0.10 basic loss per share (2006: C$0.27 basic loss per share). The Group holds 38.1% interest in CNT (inherited as a result of divest distribution of CNT shares by Road King in 2006) and thus shared a loss of HK$9 million for the year ended 31st December, 2007 (2006: HK$17 million).

BUSINESS REVIEW *(Continued)*

North American Ginseng ("NAG") *(Continued)*

The ginseng harvest in 2007 was about 919,000 lbs (2006: 800,000 lbs), representing about 15% of total world production of NAG. Over 95% of NAG was sold to China market. As explained last year, in growing NAG, the three most important metric to look at are the selling price, yield per acre and the percentage of rust for each year's harvest. The selling price is entirely market dependent. In 2007, the average selling price is around C$8/lb (2006: C$6/lb). Although the figure shows an improvement, this is still way above the production cost of C$12/lb due to the low yield of 2,767 lbs/acre (2006: 2,576 lbs/acre), and the high percentage of rust of 30% (2006: 31%), which is the highest amongst all NAG given. Unfortunately, ginseng once planted, takes four years to grow full size, and any remedy action could only be really effective on the newly planted and hence will take four years for the improved result to be observed.

Since the current management took over, there is a gradual improvement in both the yield per acre and the percentage of rust. Although CNT might not have the huge loss (as previous year) from 2008 onwards, it is expected that the bottom line to be negative almost certainly in 2008 and 2009. Returning to profitability, if it happens, will likely be in 2010 or even 2011.

As NAG growing is a commodity type business, the Group does not intend to put any extra financial resources into this operation, and will put CNT on observation list. If it cannot stand on its feet after the current measure of improvement are introduced, then the Group will have no option but to divest. However, at present, the Board believes there is a good chance that CNT will survive on its own.

FINANCIAL REVIEW

Liquidity and Financial Resources

During the year, funds of about HK$115 million were used to increase interest in Road King, which is classified under non-current assets.

As at 31st December, 2007, the Group had net current liabilities of HK$45 million. However, taking into account of the financial resources available to the Group, including internally generated funds and the available banking facilities, the Group has sufficient working capital for its present requirements.

During the year, total borrowings were increased from HK$325 million to HK$443 million with the maturity profile summarised as follows:

	As at 31st December,	
	2007	2006
	HK$'millon	*HK$'millon*
Within one year	**335**	195
In the second year	**17**	49
In the third to fifth year inclusive	**91**	81
	443	325

FINANCIAL REVIEW *(Continued)*

Liquidity and Financial Resources *(Continued)*

(a) In respect of bank loans with carrying amounts of HK$55 million as at 31st December, 2007, Build King breached certain terms of the bank loans, which are primarily related to its debt-equity ratio. Although Build King has subsequently obtained written consent from the banks of these bank loans to waive their rights to demand immediate repayment, the non-current portion of the bank loans amounting to HK$32 million have been classified as current liabilities since the banks have not agreed to waive their right to demand immediate payment as at the balance sheet date.

(b) Included a contract of structured borrowing with a bank of HK$54 million (2006: HK$73 million) that was designated as at fair value through profit or loss upon initial recognition and is measured at fair value with reference to the value quoted by the bank at 31st December, 2007. As at 31st December, 2007, change in its fair value as compared with the net amount of the upfront payment received less the repayment made was HK$4 million (2006: HK$11 million). Decrease in its fair value of HK$7 million during the year has been credited to the consolidated income statement. The structured borrowing is denominated in United States dollars.

(c) Included a margin loan of HK$22 million (2006: nil) secured by certain shares of Road King.

Other than the fixed rate borrowings of approximately HK$0.6 million carrying interest ranging from 8.52% to 9.39%, the remaining bank loans are variable-rate borrowings carrying interest ranging from 4.55% to 7.90%.

As at 31st December, 2007, the Group's cash and bank balances amounted to HK$88 million (2006: HK$105 million), of which bank deposits amounting to HK$2 million (2006: HK$7 million) were pledged to banks for the purpose of satisfying the terms and conditions of certain construction contracts entered into by the Group and securing the banking facilities granted to the Group.

The Group recorded finance expenses for the year ended 31st December, 2007 of HK$22 million (2006: HK$11 million).

As at 31st December, 2007, a portfolio of held-for-trading investments were stated at their fair values in a total amount of HK$123 million (2006: HK$102 million), majority of which were equity securities listed in Hong Kong. Certain equity securities with market value of HK$41 million (2006: HK$42 million) were pledged to a bank to secure general banking facilities granted to the Group. For the year ended 31st December, 2007, the Group recorded a net gain (increase in their fair value plus dividend income received) of HK$52 million (2006: HK$40 million) from these investments, of which HK$40 million (2006: HK$39 million) contributed from the securities invested by Build King.

FINANCIAL REVIEW *(Continued)*

Liquidity and Financial Resources *(Continued)*

The Group's borrowings, investments and cash balances were principally denominated in Hong Kong dollars, Renminbi and United States dollars. Despite the continuous appreciation of Renminbi, the exposure of foreign exchange rate fluctuations to the Group is not significant.

Capital Structure and Gearing Ratio

As at 31st December, 2007, the equity attributable to equity holders amounted to HK$3,249 million, representing HK$4.10 per share (2006: HK$2,833 million, representing HK$3.57 per share). Increase in equity attributable to equity holders was mainly attributable to the profit generated in the year after deduction of dividends paid during the year.

The net gearing ratio, being the ratio of net borrowings (total borrowings less cash and bank balances) to equity attributable to equity holders, was 10.9% (2006: 7.8%) at the balance sheet date.

Tender/Performance/Retention Bonds

As at 31st December, 2007, the Group had outstanding tender/performance/retention bonds for construction contracts amounting to HK$122 million (2006: HK$67 million).

FUTURE OUTLOOK

The Board holds positive beliefs in the continued steady growth and stable cash inflow of the Group. Given Road King's track record in toll road management and its significant investments in the property development and management field, the Board foresees a strong outlook for the stable and diversified sources of income.

Guided by professional care and prudence, the Board will continue to explore new investment opportunities that will produce synergy when combined with the Group's core businesses.

APPRECIATION

The Board would like to take this opportunity to extend its heartiest thanks to the entire loyal and dedicated staff.

Zen Wei Pao, William
Chairman

8th April, 2008

EXECUTIVE DIRECTORS

ZEN Wei Pao, William, age 60, was appointed as an Executive Director in July 1992 and a member of the Remuneration Committee of the Company in April 2005. He is the Chairman of the Company. He has been with the Group since 1971. He is also the Chairman of Road King. He holds a Bachelor of Science Degree from The Chinese University of Hong Kong and a Master of Business Administration Degree from Asia International Open University (Macau). He also attended Executive Education Program at Harvard University. He is a member of both the Hong Kong Institution of Engineers and the Institute of Quarrying, the United Kingdom ("UK"). He has over 35 years of experience in civil engineering industry. Mr. Zen is responsible for the overall strategic planning and corporate marketing and development of the Group and oversees the operations of the Group's highway and expressway, property development and bio-technology divisions. He is the brother of Mr. Zen Wei Peu, Derek.

ZEN Wei Peu, Derek, age 55, was appointed as an Executive Director in July 1992 and a member of the Remuneration Committee of the Company in April 2005. He is the Vice Chairman of the Company. He has been with the Group for over 25 years. He is also the Chairman of Build King and CNT, and an Executive Director of Road King. He holds a Bachelor of Science Degree in Engineering from The University of Hong Kong and a Master Degree of Business Administration from The Chinese University of Hong Kong and is a member of both the Institution of Civil Engineers and the Hong Kong Institution of Engineers and a fellow member of the Institute of Quarrying, UK. He is also the Honorary Treasurer of Hong Kong Construction Association in 2007 to 2009. He has over 30 years of experience in civil engineering. Mr. Zen is responsible for the overall management of the Group and oversees the operations of the Group's construction and quarrying divisions, as well as CNT. He is the brother of Mr. Zen Wei Pao, William.

WONG Wing Cheung, Dennis, age 44, was appointed as an Executive Director in June 2007. He joined the Group in 2006 and is currently the Finance Director and Qualified Accountant of the Company. Mr. Wong holds a Bachelor Degree in Social Science and a Master Degree in Business Administration from The Chinese University of Hong Kong. Mr. Wong is a member of the Hong Kong Institute of Certified Public Accountants and the Hong Kong Securities Institute. He has over 15 years of experience in commercial and investment banking, financial management and securities market regulation. Mr. Wong is responsible for the financial management and the accounting department of the Group.

CHIU Wai Yee, Anriena, age 44, was appointed as an Executive Director in June 2005. She has joined the Group for over 10 years. She is currently the Company Secretary of the Company. She holds a Bachelor of Administrative Studies Degree and a Master Degree of Professional Accounting. Miss Chiu is an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. She has extensive experience in company secretarial field. Miss Chiu is responsible for the personnel and administration department and secretarial department of the Company.

NON-EXECUTIVE DIRECTORS

LAM Wai Hon, Patrick, age 45, was appointed as a Non-executive Director in September 2000. He is also a Non-executive Director of Build King. Mr. Lam is a Chartered Accountant by training and holds a Master of Business Administration Degree from The University of Edinburgh and a Bachelor Degree from The University of Essex, UK. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales, and a member of the Institute of Chartered Accountants of Ontario, Canada. Mr. Lam is presently Assistant General Manager of New World Development Company Limited and an Executive Director of NWS Holdings Limited, both of which are the substantial shareholders of the Company and the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited. He is also a Non-executive Director of Taifook Securities Group Limited, the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited. Mr. Lam is also an Executive Director of Hong Kong Convention and Exhibition Centre (Management) Limited. Prior to joining the New World Group, Mr. Lam worked for an international accounting firm.

CHU Tat Chi, age 51, was appointed as a Non-executive Director in May 2006. He graduated from the Hong Kong Polytechnic in 1978 with a Diploma in Building Studies. He has over 25 years of experience in the civil engineering and construction industries. Mr. Chu joined Hip Hing Construction Company Limited ("Hip Hing") in 1979 and is presently an Executive Director of Hip Hing. He is also a Director of NWS Service Management Limited, a substantial shareholder of the Company, Quon Hing Concrete Company Limited and Ngo Kee (Macau) Limited. Prior to joining Hip Hing, he had worked in the Public Works Department of Hong Kong Government.

CHENG Chi Pang, Leslie, age 50, was appointed as a Non-executive Director in September 2000. He is also a Non-executive Director of Build King. Dr. Cheng holds a Bachelor Degree in Business, a Master Degree in Business Administration and a Doctorate Degree of Philosophy in Business Management. He is an associate member of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Accountants in England and Wales, CPA Australia and the Taxation Institute of Hong Kong, and a fellow member of Hong Kong Institute of Directors. He is a Certified Public Accountant practising in Hong Kong and has over 25 years of experience in auditing, business advisory and financial management. Dr. Cheng joined the New World Group in 1992 and was Group Financial Controller and Chief Executive of NWS Holdings Limited. He is now the Chairman of the Supervisory Board of the Macao Water Supply Company Limited, the Senior Partner of Leslie Cheng & Co. and Chief Executive Officer of L & E Consultants Limited. Dr. Cheng is currently an Independent Non-executive Director and an audit committee chairman of China Ting Group Holdings Limited, Fortune Sun (China) Holdings Limited, Nine Dragons Paper (Holdings) Limited and Tianjin Port Development Holdings Limited, all of whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited. Prior to joining the New World Group, he was a senior manager of an international accounting firm.

INDEPENDENT NON-EXECUTIVE DIRECTORS

WONG Che Ming, Steve, age 57, was appointed as an Independent Non-executive Director in July 1992. He was appointed as a member of the Audit Committee of the Company in July 1998 and a member of the Remuneration Committee of the Company in April 2005. During the period from September 2001 to the first quarter of 2005, he served as the Chairman of the Audit Committee of the Company. He is a solicitor, notary public, China appointed attesting officer and a member of The Chartered Institute of Arbitrators. He holds a Bachelor of Social Science Degree in Economics from The Chinese University of Hong Kong and a Doctorate Degree in Civil Laws from The Renmin University of China.

WAN Siu Kau, Samuel, age 56, was appointed as an Independent Non-executive Director and a member of the Audit Committee of the Company in September 2001. He was appointed as the Chairman of the Remuneration Committee of the Company in April 2005. He holds a Master Degree of Business Administration from The Chinese University of Hong Kong and a Bachelor Degree in Business Administration and Accounting from The University of Hong Kong. He started his executive search career in 1988 and is presently the Advisor of Amrop Hever, a global executive search firm. Prior to this, he was the Managing Director of Norman Broadbent's Hong Kong and China offices and was among the first generation of recruiters to establish a search practice in China. Earlier, he worked for Bank of America and Banque Nationale de Paris on both the human resources and business side. Mr. Wan is currently a Non-executive Director of Recruit Holdings Limited whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

WONG Man Chung, Francis, age 43, was appointed as an Independent Non-executive Director and a member of the Audit Committee of the Company in August 2004. He was appointed as the Chairman of the Audit Committee and a member of the Remuneration Committee of the Company in April 2005. Mr. Wong holds a Master Degree in Management conferred by Guangzhou Jinan University of China. He is a Certified Public Accountant (Practising) and has over 15 years of experience in the profession of accounting. He is a fellow member of the Association of Chartered Certified Accountants, UK, the Hong Kong Institute of Certified Public Accountants and the Taxation Institute of Hong Kong, an associate member of the Institute of Chartered Accountants in England and Wales, and a member of the Society of Chinese Accountants and Auditors, Hong Kong. Mr. Wong is a Director of Union Alpha CPA Limited, a professional accounting firm, and a Founding Director and member of Francis M. C. Wong Charitable Foundation Limited, a charitable institution. Prior to that, he worked for an international accounting firm for 6 years and The Hong Kong Securities Clearing Company Limited for 2 years. Mr. Wong is currently an Independent Non-executive Director and an audit committee member of China Oriental Group Company Limited and Digital China Holdings Limited, both of whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited. In addition, Mr. Wong is also an Independent Non-executive Director of Lightscape Technologies Inc., a company with its shares traded on the OTC Bulletin Board in the United States of America. He was once Independent Non-executive Director of Sys Solutions Holdings Limited whose shares are listed on the GEM Board of The Stock Exchange of Hong Kong Limited and an Independent Non-executive Director and an audit committee chairman of Yardway Group Limited whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

SENIOR MANAGEMENT

YU Sai Yen, age 53, joined the Group in May 1996 and was appointed as the Vice Chairman of Build King in April 2004. He is also the Managing Director of Leader Construction Company Limited ("Leader Construction"). He holds a Bachelor of Science Honours Degree in Civil Engineering from the University of Dundee, UK. Mr. Yu is a Chartered Engineer, and a fellow of both the Hong Kong Institution of Engineers and the Institution of Civil Engineers, UK. He is the council member and past Chairman of Civil Division of the Hong Kong Institution of Engineers. He has over 25 years of experience in project management and contract administration of large-scale civil engineering projects in site formation, reclamation, highway and railway works.

Alan **CLARKE**, age 59, joined the Group in 1997. He is a Director and the General Manager of Kaden Construction Limited ("Kaden"). He holds a Bachelor Degree in Building and is a member of the Institution of Civil Engineers and the Chartered Institute of Building. He has over 35 years of experience in civil engineering including estimating and project management. He also represents Kaden to serve on Hong Kong Construction Association's Council.

CHEUNG Siu Lun, age 57, joined the Group in 2006. He is a Director of Kaden. He holds a Bachelor of Science Degree in Civil Engineering from The University of Hong Kong. He is a member of the Institution of Civil Engineers and a fellow of the Hong Kong Institution of Engineers. He is also a Chartered Engineer of UK. He has over 30 years of experience in both civil engineering and building construction. He is currently a member of the Registered Contractors' Disciplinary Board Panel of Buildings Department, Hong Kong Special Administrative Region ("HKSAR") and the Chengdu Political Consultative Committee.

LUI Yau Chun, Paul, age 47, has been working with the Group since 1998. He is a Director and the General Manager (Marine) of Wai Kee (Zens) Construction & Transportation Company Limited ("WKC&T"), a Director and the General Manager of Leader Marine Contractors Limited ("Leader Marine"), and also the General Manager of Leader Marine L.L.C. and Leader Marine Cont. L.L.C., both companies were registered in Sharjah, United Arab Emirates. He is a member of the Institution of Structural Engineers. He has over 20 years of experience in civil and marine engineering. He is responsible for managing the marine operations of WKC&T, and the operations of Leader Marine, Leader Marine L.L.C. and Leader Marine Cont. L.L.C.. Mr. Lui is a member of the Contractors Registration Committee Panel and the Contractors Registration Committee (General Building Contractors and Specialist Contractors) of Buildings Department, HKSAR.

SENIOR MANAGEMENT *(Continued)*

KO Kin Wah, Max, age 53, joined the Group in 1997. He is a Director of Leader Civil Engineering Corporation Limited ("Leader Civil"). He is a registered Professional Engineer (P.Eng) in Canada. He is also a member of the Hong Kong Institution of Engineers. He has over 25 years of experience in civil engineering and project management. Mr. Ko represents Leader Civil to serve on Hong Kong Construction Association's Council.

CHEUNG Kwan Man, Edmond, age 52, joined the Group in August 1994 and is now the Group Financial Controller and is also a Director of Wai Kee Quarry Asia Limited and Wai Hing Quarries (China) Limited responsible to the quarrying division of the Group. Mr. Cheung holds a Master Degree of Business Administration from Heriot-Watt University, UK. He is a fellow member of the Association of Chartered Certified Accountants, UK, a member of the Certified General Accountants' Association of Canada, a full member of American Institute of Certified Public Accountants and also holds a CPA practising license in Colorado State of the United States of America. He has extensive experience in auditing, accounting and financial management.

CHANG Kam Chuen, Desmond, age 42, joined the Group in May 1997 and is now the Company Secretary, the Qualified Accountant and the Financial Controller of Build King. Mr. Chang is a fellow member of the Hong Kong Institute of Certified Public Accountants and an associate member of the Institute of Chartered Management Accountant, UK. He has over 15 years of experience in accounting profession and financial management. Mr. Chang is responsible for the financial and secretarial departments of Build King.

YAM Tin Chun, Martin, age 47, joined the Group in July 2007 as Internal Audit Manager of the Company and Build King. Mr. Yam holds a Master Degree of Business Administration from Manchester Business School and a Bachelor Degree in Laws from Peking University. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants, a Certified Information System Auditor, an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. He has over 15 years of experience in internal audit. Consistent with ensuring the independence and integrity of the internal audit functions, Mr. Yam directly reports to Mr. Zen Wei Pao, William, the Chairman of the Company, and the audit committee chairmen of the Company and Build King.

CHAN Mei Kum, Anna, age 44, joined the Group in May 1993 and is now the Group Personnel and Administration Manager.

The Company is committed to attaining good standard of corporate governance practices with an emphasis on a quality board, better transparency, and effective accountability system in order to enhance shareholders' value.

The Company has adopted the code provisions of the Code on Corporate Governance Practices (the "Code") set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as its own code and has complied with the Code throughout the year ended 31st December, 2007. Deviations from code provisions A.2.1 and A.4.1 of the Code in respect of the separate roles of chairman and chief executive officer, and service term of the directors are explained in subsequent sections.

DIRECTORS' SECURITIES TRANSACTIONS

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 the Directors of the Company have confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31st December, 2007.

BOARD OF DIRECTORS

The Board formulates overall strategy of the Group, monitors its financial performance, and maintains effective oversight of the operation. The Board members are fully committed to their roles and have acted in good faith to maximize the shareholders' interest in the long run, and have aligned the Group's goals and directions with the prevailing economic and market conditions. Daily operations and administration are delegated to management.

The Board comprises ten Directors including four Executive Directors, three Non-executive Directors and three Independent Non-executive Directors. The Independent Non-executive Directors are all professionals from the fields of law, personnel recruitment, and finance and accounting respectively. All the Board members have extensive experience and knowledge in corporate management making significant contributions to the Company's strategic decisions. The diverse background of the Board members ensures that they fully represent the interests of all the shareholders. The biographies of the Directors are presented under the heading "Directors and Senior Management" on pages 18 to 20 of this Annual Report. The Board has delegated certain authorities to the Audit Committee and Remuneration Committee.

To the best knowledge of the Company, there is no financial, business, and family relationship among members of the Board other than the Chairman and the Vice Chairman who are brothers.

BOARD OF DIRECTORS *(Continued)*

The Board holds four regular meetings per year and additional meetings are arranged if and when required. During the year, six board meetings were held by the Company and the attendance record of the Board members is as follows:

	Number of Meetings Attended	Attendance
Executive Directors:		
Zen Wei Pao, William *(Chairman)*	6	100%
Zen Wei Peu, Derek *(Vice Chairman)*	5	83%
Wong Wing Cheung, Dennis *(Finance Director)*	3	100% *(Note)*
Chiu Wai Yee, Anriena	6	100%
Non-executive Directors:		
Lam Wai Hon, Patrick	5	83%
Chu Tat Chi	5	83%
Cheng Chi Pang, Leslie	6	100%
Independent Non-executive Directors:		
Wong Che Ming, Steve	6	100%
Wan Siu Kau, Samuel	5	83%
Wong Man Chung, Francis	6	100%

Note:

Three of the board meetings were held after the appointment of Mr. Wong Wing Cheung, Dennis as an Executive Director on 1st June, 2007.

The meeting agenda is set by the Chairman in consultation with the Vice Chairman and other Board members, and to ensure that all key and appropriate issues are discussed by the Board in a timely manner. At least 14 days' notice is given to all the Directors and the relevant information is despatched to them at least 3 days before the meeting. All Board members have unrestricted access to information and may seek independent professional advice where appropriate. Minutes of every board meeting are circulated to all the Directors for their perusal prior to confirmation of the minutes at the following board meeting.

BOARD OF DIRECTORS *(Continued)*

The Company has arranged for appropriate liability insurance for the Directors for indemnifying their liabilities arising out of corporate activities.

Under the amended Company's Bye-laws which was approved by the shareholders at the annual general meeting held on 13th May, 2005, one-third of directors shall retire by rotation each year. If number of board members is not a multiple of three, then the number nearest to but not less than one-third shall retire by rotation. Retired directors are eligible for re-election at each annual general meeting. No director has a term of appointment longer than three years.

CHAIRMAN AND VICE CHAIRMAN

The Chairman of the Board is Mr. Zen Wei Pao, William and the Vice Chairman is Mr. Zen Wei Peu, Derek. Their duties are clearly set out in writing and are separate. Mr. Zen Wei Pao, William, in addition to his duties as the Chairman of the Company, is also responsible for overseeing the operations of the Group's highway and expressway, property development and bio-technology divisions. This constitutes a deviation from the code provision A.2.1 of the Code as part of his duties overlap with those of the Vice Chairman. However, due to the Company's nature of operations, the Company considers that these duties are best served by the Chairman with his knowledge and experience in this area of the Group's operations.

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

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

NON-EXECUTIVE DIRECTORS

None of the existing Non-executive Directors (including Independent Non-executive Directors) of the Company is appointed for a specific term. This constitutes a deviation from code provision A.4.1 of the Code. However, all the Directors of the Company are subject to the retirement provisions under Bye-law 87 of the Bye-laws of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code.

REMUNERATION OF DIRECTORS

The Remuneration Committee was established in 2005 with specific written terms of reference which delineates its authority and duties. The chairman of the Remuneration Committee is Mr. Wan Siu Kau, Samuel, an Independent Non-executive Director, and other members including Dr. Wong Che Ming, Steve, Messrs. Wong Man Chung, Francis, Zen Wei Pao, William and Zen Wei Peu, Derek, the majority being Independent Non-executive Directors.

The Remuneration Committee meets at least twice a year and additional meetings are held as the work of the Remuneration Committee demands.

The role and function of the Remuneration Committee include the determination of specific remuneration packages of all Executive Directors and senior management, including benefits-in-kind, pension rights, and compensation payments, including any compensation payable for loss or termination of their office or appointment. The Remuneration Committee shall consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions, and prevailing market conditions.

During the year, the Remuneration Committee reviewed and approved the remuneration packages of the Executive Directors and senior management. No member can determinate his own remuneration.

The terms of reference of the Remuneration Committee is published on the Company's website.

REMUNERATION OF DIRECTORS *(Continued)*

During the year, the Remuneration Committee held two meetings and the attendance record of the Remuneration Committee members is as follows:

	Number of Meetings Attended	Attendance
Remuneration Committee members:		
Wan Siu Kau, Samuel *(Committee Chairman)*	2	100%
Wong Che Ming, Steve	2	100%
Wong Man Chung, Francis	2	100%
Zen Wei Pao, William	2	100%
Zen Wei Peu, Derek	2	100%

Note:

Messrs. Zen Wei Pao, William and Zen Wei Peu, Derek excused themselves from the Remuneration Committee meeting during the course of reviewing and approving their remuneration packages.

NOMINATION OF DIRECTORS

The appointment and removal of Directors are considered and determined by the Board of Directors. The Board must consider every nominated director's knowledge, experience and his/her possible contribution to the Company before his/her appointment as a Director of the Company. In June 2007, Mr. Wong Wing Cheung, Dennis was appointed as an Executive Director with unanimous approval by Directors.

According to Bye-law 87 of the Bye-laws of the Company then in effect after 13th May, 2005, at each annual general meeting, one-third of the directors for the time being (or if their number is not multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation.

The directors to retire by rotation shall include any director who wishes to retire and not to offer himself for re-election, or those who have been longest in office since their last re-election or appointment or those who were appointed by the Board to fill casual vacancy. However, as between persons who became or were last re-elected directors on the same day, those to retire shall be determined by lot (unless they otherwise agree among themselves). Any director appointed to fill a casual vacancy or as an addition to the Board shall hold office only until the next following annual general meeting and shall be eligible for re-election.

AUDIT COMMITTEE

The Audit Committee was established in 1998. It currently comprises three Independent Non-executive Directors and its chairman has the appropriate professional qualifications and related financial management experience. The Audit Committee meets at least twice a year to review and discuss with management (including Finance Director, Qualified Accountant and Group's Financial Controller), internal auditor and the external auditors about the accounting principles and policies adopted by the Group, the interim and annual financial statements, the scope of audit, and the assessment of the Group's internal control.

During the year, the Audit Committee considered the external auditor's projected audit fee, discussed with the external auditor about the accounting principles and policies adopted by the Group, reviewed the interim and annual financial statements, the scope of audit and assessed the Group's internal control system. The members of the Audit Committee had met with the external auditor directly with no Executive Director present.

The terms of reference of the Audit Committee is published on the Company's website.

During the year, the Audit Committee held four meetings and the attendance record of the Audit Committee members is as follows:

	Number of Meetings Attended	Attendance
Audit Committee members:		
Wong Man Chung, Francis *(Committee Chairman)*	4	100%
Wong Che Ming, Steve	4	100%
Wan Siu Kau, Samuel	4	100%

AUDITORS' REMUNERATION

During the year, Messrs. Deloitte Touche Tohmatsu provided statutory audit services amounted to approximately HK$3,736,000, and tax and consulting services amounted to HK$364,000.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for the preparation of the financial statements of the Group and ensure that the financial statements are in accordance with statutory requirements and applicable accounting standards. The Directors also ensure the timely publication of the financial statements of the Group.

The statement of the external auditor of the Company, Messrs. Deloitte Touche Tohmatsu, about their reporting responsibilities on the financial statements of the Group, is set out on page 47 in the Independent Auditor's Report forming part of this Annual Report.

The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

INTERNAL CONTROL

The Board recognises its responsibility for maintaining an adequate system of internal control. To guarantee an ongoing assurance process, the Board established an internal audit team in January 2006. During the year, the Board has conducted a review of the effectiveness of the Group's internal control system. The internal audit team provides independent and objective assurance to the Chairman and Audit Committee on:

- Integrity of financial and operational information;
- Effectiveness and efficiency of operations;
- Safeguarding of assets;
- Quality of information flow; and
- Compliance with laws, regulations, and contracts.

INTERNAL CONTROL *(Continued)*

The internal audit team carried out its mission by:

- identifying and prioritizing potential business risks;
- performing risk-based audits;
- evaluating effectiveness and compliance with internal policies and procedures;
- analyzing causes for errors and irregularities found;
- recommending good internal controls to prevent unintentional mistakes, discourage fraudulent acts, and promote operational efficiency and ethical standards;
- performing follow up procedures on corrective actions;
- appraising the soundness and adequacy of various departments' ongoing maintenance of internal controls;
- providing consulting and advisory services on control and related matters;
- conducting independent investigation of situations raised by whistleblowers, if any; and
- maintaining open communication with the chairman, audit committee, and auditee management.

The system of internal control is designed to provide reasonable, but not absolute, assurance against human errors, material misstatements, losses, damages, or frauds, and to manage rather than eliminate risks of failure in operational systems and achievement of the Group's objectives. During the year under review, no irregularity or material weakness was noted within any function or process. The Audit Committee and the external auditors were satisfied that the internal control system has functioned effectively as intended.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Board recognised the importance of good communications with all shareholders. The Company communicates with its shareholders through the publication of interim report and annual report in accordance with the Listing Rules. The business status and progress of each line of business are presented under "Business Review" section of the interim report and annual report to expand the shareholders' understanding of the Group's activities.

The Company's financial statements and each of the required disclosure of information are despatched within the prescribed period imposed by laws and regulations and are all posted on the Company's website (www.waikee.com) for the public to download.

The Company welcomes shareholders to attend the general meetings and express their views. The Chairman of the Board as well as other Board members together with the external auditor are available to answer shareholders' questions.

COMPLIANCE

The Company realises the importance of corporate governance. The Board shall ensure from time to time to comply with the Code, to increase its accountability and transparency and to achieve a high standard of corporate governance.

The Directors present their annual report and the audited financial statements for the year ended 31st December, 2007.

PRINCIPAL ACTIVITIES

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 55, 24 and 25 to the financial statements respectively.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 7 to the financial statements.

CUSTOMERS AND SUPPLIERS

For the year ended 31st December, 2007, the five largest customers of the Group together accounted for approximately 73% of the Group's turnover, with the largest customer accounted for 48%, and the five largest suppliers of the Group together represented less than 11% by value of the Group's total purchases.

None of the Directors, or any of their associates, or any shareholders which, to the knowledge of the Directors owned more than 5% of the Company's share capital, had any beneficial interests in the Group's five largest customers or five largest suppliers as mentioned in the preceding paragraph.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2007 are set out in the consolidated income statement on page 49.

An interim dividend of HK6 cents per share was paid to shareholders during the year. The Directors now recommend the payment of a final dividend of HK6 cents per share payable to shareholders whose names appear in the Register of Members of the Company on 26th May, 2008. The amounts of dividends paid and dividends proposed for the year are set out in note 17 to the financial statements.

RESERVES

Details of movements in the reserves of the Group for the year are set out in the consolidated statement of changes in equity on page 52.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on pages 142 to 143.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year are set out in note 19 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the share capital and share options of the Company are set out in notes 45 and 48 to the financial statements respectively.

During the year, there was no movement in the share capital of the Company.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors of the Company during the financial year and up to the date of this report were:

Executive Directors:

Zen Wei Pao, William *(Chairman)*
Zen Wei Peu, Derek *(Vice Chairman)*
Wong Wing Cheung, Dennis *(Finance Director)* (appointed on 1st June, 2007)
Chiu Wai Yee, Anriena

Non-executive Directors:

Lam Wai Hon, Patrick
Chu Tat Chi
Cheng Chi Pang, Leslie

Independent Non-executive Directors:

Wong Che Ming, Steve
Wan Siu Kau, Samuel
Wong Man Chung, Francis

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS *(Continued)*

In accordance with bye-laws 86 and 87 of the Company's Bye-laws, Mr. Zen Wei Peu, Derek, Mr. Wong Wing Cheung, Dennis, Mr. Lam Wai Hon, Patrick and Dr. Wong Che Ming, Steve shall retire from office at the forthcoming annual general meeting, and being eligible, offer themselves for re-election. All other remaining Directors continue in office.

The Non-executive Directors have been appointed for a term subject to retirement by rotation as required by the Company's Bye-laws.

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

The Company received confirmation of independence from Dr. Wong Che Ming, Steve, Mr. Wan Siu Kau, Samuel and Mr. Wong Man Chung, Francis, being the Independent Non-executive Directors in respect of the year ended 31st December, 2007, pursuant to Rule 3.13 of the Listing Rules. The Company considers all the Independent Non-executive Directors to be independent.

DIRECTORS' INTERESTS AND SHORT POSITIONS

As at 31st December, 2007, the interests and short positions of the Directors of the Company in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or were required to be entered in the register maintained by the Company pursuant to section 352 of the SFO or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange were as follows:

DIRECTORS' INTERESTS AND SHORT POSITIONS *(Continued)*

(I) The Company

Interests in shares

Name of Director	Capacity/ Nature of interest	Number of shares held Long position	Short position	Percentage of the issued ordinary share capital
				(%)
Zen Wei Pao, William	Personal	192,381,843 *(Note 1)*	—	24.26
	Personal	770,000 *(Note 2)*	—	0.10
Zen Wei Peu, Derek	Personal	185,057,078 *(Note 1)*	—	23.33
	Personal	770,000 *(Note 2)*	—	0.10
Wong Wing Cheung, Dennis	Personal	550,000 *(Note 2)*	—	0.07
Chiu Wai Yee, Anriena	Personal	550,000 *(Note 2)*	—	0.07
Lam Wai Hon, Patrick	Personal	300,000 *(Note 1)*	—	0.03
	Personal	330,000 *(Note 2)*	—	0.04
Chu Tat Chi	Personal	330,000 *(Note 2)*	—	0.04
Cheng Chi Pang, Leslie	Personal	500,000 *(Note 1)*	—	0.06
	Personal	330,000 *(Note 2)*	—	0.04
Wong Che Ming, Steve	Personal	900,000 *(Note 1)*	—	0.11
	Personal	330,000 *(Note 2)*	—	0.04
Wan Siu Kau, Samuel	Personal	330,000 *(Note 2)*	—	0.04
Wong Man Chung, Francis	Personal	330,000 *(Note 2)*	—	0.04

Notes:

1. Long position in the shares (other than pursuant to equity derivatives such as share options, warrants to subscribe or convertible bonds).

2. Long position in the underlying shares of the Company pursuant to unlisted equity derivatives (including physically settled, cash settled and other equity derivatives). Share options granted to directors are included in this category, the particulars of which are set out in (I) under the heading "SHARE OPTIONS" below.

DIRECTORS' INTERESTS AND SHORT POSITIONS *(Continued)*

(II) Associated Corporations

Interests in shares

Name of Director	Name of company	Capacity/ Nature of interest	Number of shares held Long position	Short position	Percentage of the issued ordinary share capital
					(%)
Zen Wei Pao, William	Build King Holdings Limited	Personal	1,400,000 *(Note 1)*	—	0.17 *(Note 3)*
	Road King Infrastructure Limited	Personal	500,000 *(Note 1)*	—	0.07 *(Note 4)*
		Personal	6,000,000 *(Note 2)*	—	0.80 *(Note 4)*
	Wai Kee (Zens) Construction & Transportation Company Limited	Personal	2,000,000 *(Note 1)*	—	10.00
	Wai Luen Stone Products Limited	Personal	30,000 *(Note 1)*	—	37.50
Zen Wei Peu, Derek	Build King Holdings Limited	Personal	107,581,421 *(Note 1)*	—	13.10 *(Note 3)*
	Chai-Na-Ta Corp.	Personal	253,728 *(Note 1)*	—	0.73
	Road King Infrastructure Limited	Personal	5,786,000 *(Note 1)*	—	0.77
		Personal	2,300,000 *(Note 2)*	—	0.31
	Wai Kee (Zens) Construction & Transportation Company Limited	Personal	2,000,000 *(Note 1)*	—	10.00
	Wai Luen Stone Products Limited	Personal	30,000 *(Note 1)*	—	37.50

DIRECTORS' INTERESTS AND SHORT POSITIONS *(Continued)*

(II) Associated Corporations *(Continued)*

Interests in shares *(Continued)*

Name of Director	Name of company	Capacity/ Nature of interest	Number of shares held Long position	Short position	Percentage of the issued ordinary share capital
					(%)
Chiu Wai Yee, Anriena	Build King Holdings Limited	Personal	837,000 *(Note 1)*	—	0.10 *(Note 3)*
	Chai-Na-Ta Corp.	Personal	1,920 *(Note 1)*	—	0.01
	Road King Infrastructure Limited	Personal	75,000 *(Note 1)*	—	0.01
		Personal	635,000 *(Note 2)*	—	0.08
Lam Wai Hon, Patrick	Build King Holdings Limited	Personal	140,000 *(Note 1)*	—	0.02
Cheng Chi Pang, Leslie	Build King Holdings Limited	Personal	1,170,000 *(Note 1)*	—	0.14 *(Note 3)*
Wong Che Ming, Steve	Build King Holdings Limited	Personal	311,225 *(Note 1)*	—	0.04

Notes:

1. Long position in the shares (other than pursuant to equity derivatives such as share options, warrants to subscribe or convertible bonds).

2. Long position in the underlying shares of Road King pursuant to unlisted equity derivatives (including physically settled, cash settled and other equity derivatives). Share options granted to directors are included in this category, the particulars of which are set out in (II) under the heading "SHARE OPTIONS" below.

3. As at 31st December, 2007, the issued share capital of Build King was 821,408,494 shares. Accordingly, the percentage has been adjusted.

4. As at 31st December, 2007, the issued share capital of Road King was 752,646,566 shares. Accordingly, the percentage has been adjusted.

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

SHARE OPTIONS

(I) The Company

A share option scheme (the "Share Option Scheme") was adopted by the Company at the annual general meeting held on 18th September, 2002 to comply with Chapter 17 of the Listing Rules. During the year, there were 6,160,000 share options granted under the Share Option Scheme.

Details of the Share Option Scheme are set out in note 48 to the financial statements.

Renewal of the 10% share option scheme mandate limit under the Share Option Scheme was approved by the shareholders on 12th May, 2004. Therefore, the Company can grant share options to subscribe for up to 79,282,403 shares of the Company under the Share Option Scheme. Since 12th May, 2004, as there were 6,160,000 share options granted under the Share Option Scheme during the year, the total number of shares available for issue under the Share Option Scheme is 73,122,403 representing approximately 9.22% of the Company's issued share capital as at the date of this report.

Details of the share options granted under the Share Option Scheme and a summary of the movements during the year are as follows:

				Number of share options				
Name	Date of grant	Exercisable period	Exercise price	Balance at 1.1.2007	Granted during the year#	Exercised during the year	Cancelled/ Lapsed during the year	Balance at 31.12.2007
			HK$					
Directors								
Zen Wei Pao, William	9th July, 2007	9th July, 2008 to 8th July, 2011	3.39	—	770,000	—	—	770,000
Zen Wei Peu, Derek	9th July, 2007	9th July, 2008 to 8th July, 2011	3.39	—	770,000	—	—	770,000
Wong Wing Cheung, Dennis	9th July, 2007	9th July, 2008 to 8th July, 2011	3.39	—	550,000	—	—	550,000
Chiu Wai Yee, Anriena	9th July, 2007	9th July, 2008 to 8th July, 2011	3.39	—	550,000	—	—	550,000

SHARE OPTIONS *(Continued)*

(I) The Company *(Continued)*

Name	Date of grant	Exercisable period	Exercise price	Number of share options: Balance at 1.1.2007	Granted during the year#	Exercised during the year	Cancelled/ Lapsed during the year	Balance at 31.12.2007
			HK$					
Directors *(Continued)*								
Lam Wai Hon, Patrick	9th July, 2007	9th July, 2008 to 8th July, 2011	3.39	—	330,000	—	—	330,000
Chu Tat Chi	9th July, 2007	9th July, 2008 to 8th July, 2011	3.39	—	330,000	—	—	330,000
Cheng Chi Pang, Leslie	9th July, 2007	9th July, 2008 to 8th July, 2011	3.39	—	330,000	—	—	330,000
Wong Che Ming, Steve	9th July, 2007	9th July, 2008 to 8th July, 2011	3.39	—	330,000	—	—	330,000
Wan Siu Kau, Samuel	9th July, 2007	9th July, 2008 to 8th July, 2011	3.39	—	330,000	—	—	330,000
Wong Man Chung, Francis	9th July, 2007	9th July, 2008 to 8th July, 2011	3.39	—	330,000	—	—	330,000
Sub-total				—	4,620,000	—	—	4,620,000
Others								
Employees	9th July, 2007	9th July, 2008 to 8th July, 2011	3.39	—	1,540,000	—	(150,000)	1,390,000
Sub-total				—	1,540,000	—	(150,000)	1,390,000
Total				**–**	**6,160,000**	**–**	**(150,000)**	**6,010,000**

\# The closing price of the shares of the Company immediately before the date of grant was HK$3.32.

SHARE OPTIONS *(Continued)*

(II) Associated Corporation

The share option scheme was adopted by Road King at the annual general meeting held on 12th May, 2003 (the "Road King Share Option Scheme") to comply with Chapter 17 of the Listing Rules. As at 31st December, 2007, Road King has granted 19,950,000 share options under the Road King Share Option Scheme to three Directors of the Company, 11,015,000 share options of which have been exercised.

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

Name of Director	Date of grant	Exercisable period	Exercise price	Balance at 1.1.2007	Granted during the year[#]	Exercised during the year[*]	Cancelled/ Lapsed during the year	Balance at 31.12.2007
				Number of share options				
			HK$					
Zen Wei Pao, William	17th October, 2003	17th October, 2003 to 16th October, 2008	5.15	500,000	—	(500,000)	—	—
	26th August, 2004	26th August, 2004 to 25th August, 2009	5.70	2,500,000	—	(2,500,000)	—	—
	14th December, 2005	14th December, 2005 to 13th December, 2010	5.80	2,500,000	—	(1,500,000)	—	1,000,000
	20th December, 2006	20th December, 2006 to 19th December, 2011	11.66	2,500,000	—	—	—	2,500,000
	6th November, 2007	6th November, 2007 to 5th November, 2012	14.85	—	2,500,000	—	—	2,500,000
Zen Wei Peu, Derek	20th December, 2006	20th December, 2006 to 19th December, 2011	11.66	1,300,000		(500,000)	—	800,000
	6th November, 2007	6th November, 2007 to 5th November, 2012	14.85	—	1,500,000	—	—	1,500,000

SHARE OPTIONS *(Continued)*

(II) Associated Corporation *(Continued)*

				Number of share options				
Name of Director	Date of grant	Exercisable period	Exercise price	Balance at 1.1.2007	Granted during the year#	Exercised during the year*	Cancelled/ Lapsed during the year	Balance at 31.12.2007
			HK$					
Chiu Wai Yee, Anriena	17th October, 2003	17th October, 2003 to 16th October, 2008	5.15	210,000	–	(75,000)	–	135,000
	26th August, 2004	26th August, 2004 to 25th August, 2009	5.70	200,000	–	–	–	200,000
	14th December, 2005	14th December, 2005 to 13th December, 2010	5.80	100,000	–	–	–	100,000
	20th December, 2006	20th December, 2006 to 19th December, 2011	11.66	100,000	–	–	–	100,000
	6th November, 2007	6th November, 2007 to 5th November, 2012	14.85	–	100,000	–	–	100,000
Total				**9,910,000**	**4,100,000**	**(5,075,000)**	**–**	**8,935,000**

The closing price of the shares of Road King immediately before the date of grant was HK$15.340.

* The weighted average closing price of the shares of Road King immediately before the date on which the share options were exercised is HK$14.201.

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

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

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

Other than the share option schemes as mentioned earlier, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

COMPETING INTERESTS

During the year, the following Directors had interest in the business which competes or is likely to compete, either directly or indirectly, with the business of the Group as required to be disclosed under the Listing Rules:

Name of Director	Name of entity	Competing business	Nature of interest
Lam Wai Hon, Patrick	NWS Holdings Limited group of companies	Construction, toll road, infrastructure and sale of general merchandised goods	Director
Chu Tat Chi	NWS Service Management Limited group of companies	Building construction, civil engineering and sale of general merchandised goods	Director

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31st December, 2007, so far as is known to any Director of the Company, the following persons (other than Directors of the Company) have interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of shareholder	Capacity/ Nature of interest	Number of shares held Long position	Number of shares held Short position	Percentage of the issued ordinary share capital
				(%)
Cheng Yu Tung Family (Holdings) Limited *(Note 2)*	Corporate	213,868,000 *(Note 1)*	—	26.97
Centennial Success Limited *(Note 3)*	Corporate	213,868,000 *(Note 1)*	—	26.97
Chow Tai Fook Enterprises Limited *(Note 4)*	Corporate	213,868,000 *(Note 1)*	—	26.97
New World Development Company Limited *(Note 5)*	Corporate	213,868,000 *(Note 1)*	—	26.97
NWS Holdings Limited *(Note 6)*	Corporate	213,868,000 *(Note 1)*	—	26.97
NWS Service Management Limited *(Note 7)*	Corporate	213,868,000 *(Note 1)*	—	26.97
NWS Service Management Limited *(Note 8)*	Corporate	213,868,000 *(Note 1)*	—	26.97
Vast Earn Group Limited *(Note 9)*	Personal/ Beneficiary	213,868,000 *(Note 1)*	—	26.97

SUBSTANTIAL SHAREHOLDERS' INTERESTS *(Continued)*

Notes:

1. Long position in the shares (other than pursuant to equity derivatives such as share options, warrants to subscribe or convertible bonds).

2. Cheng Yu Tung Family (Holdings) Limited is deemed to be interested in the shares through its interests in its subsidiary, namely Centennial Success Limited.

3. Centennial Success Limited is deemed to be interested in the shares through its interests in its wholly owned subsidiary, namely Chow Tai Fook Enterprises Limited.

4. Chow Tai Fook Enterprises Limited is deemed to be interested in the shares through its interests in more than one-third of the issued share capital of New World Development Company Limited.

5. New World Development Company Limited is deemed to be interested in the shares through its interests in its subsidiary, namely NWS Holdings Limited.

6. NWS Holdings Limited is deemed to be interested in the shares through its interests in its wholly owned subsidiary, namely NWS Service Management Limited (incorporated in the Cayman Islands).

7. NWS Service Management Limited (incorporated in the Cayman Islands) is deemed to be interested in the shares through its interests in its wholly owned subsidiary, namely NWS Service Management Limited (incorporated in the British Virgin Islands).

8. NWS Service Management Limited (incorporated in the British Virgin Islands) is deemed to be interested in the shares through its interests in its wholly owned subsidiary, namely Vast Earn Group Limited.

9. Vast Earn Group Limited is a wholly owned subsidiary of NWS Service Management Limited (incorporated in the British Virgin Islands).

Save as disclosed above, no other person (other than Directors of the Company) has an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31st December, 2007.

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is available to the Company and within the knowledge of the Directors of the Company, the Company has maintained the prescribed public float under the Listing Rules.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

DONATIONS

During the year, the Group made charitable and other donations amounting to HK$155,000.

EMPLOYEES AND REMUNERATION POLICIES

As at 31st December, 2007, the Group had 1,305 employees (2006: 1,388 employees), of which 911 (2006: 979) were located in Hong Kong, 317 (2006: 373) were located in Mainland China, 11 (2006: 4) were located in Taiwan and 66 (2006: 32) in Dubai. For the year ended 31st December, 2007, the Group's total staff costs were about HK$240 million (2006: HK$194 million).

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

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

AUDITOR

A resolution will be proposed at the forthcoming annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as Auditor of the Company.

On behalf of the Board

Zen Wei Pao, William
Chairman

8th April, 2008

Deloitte.
德勤

TO THE SHAREHOLDERS OF WAI KEE HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Wai Kee Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 49 to 141, which comprise the consolidated balance sheet as at 31st December, 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31st December, 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Without qualifying our opinion we draw attention to note 24(c) to the consolidated financial statements. Road King Infrastructure Limited ("Road King"), a significant associate of the Group, currently has not obtained effective control over 天津順馳新地置業有限公司 and 天津順馳融信置地有限公司 (collectively referred to as the "Tianjin Companies") despite the fact that the board of directors of the Tianjin Companies was appointed by Road King, due to the circumstances described in note 24(c), and accordingly, Road King has not accounted for the Tianjin Companies as subsidiaries of Road King. Road King has commenced legal proceedings against the former major shareholder and former management of the Tianjin Companies with a view to obtain effective control over these companies. The date of hearing has not been fixed at the date of this report. As stated in the consolidated financial statements of Road King, the directors of Road King, based on advices of the People's Republic of China legal adviser, are of the firm belief that the court ruling will be favourable to Road King and accordingly, Road King can assume effective control over the Tianjin Companies in the foreseeable future. However, as the eventual outcome of the court proceedings cannot be determined with certainty, there exist uncertainties which may affect the following:

- Road King being unable to obtain effective control over the Tianjin Companies or otherwise realise the underlying properties of the Tianjin Companies, thereby impacting the recoverability of Road King's investments in these companies amounting to HK$592,821,000.

- The banks seeking payment from Road King in relation to credit facilities to the Tianjin Companies amounting to HK$315,789,000 as at 31st December 2007 which has been guaranteed by Road King as described in note 24(c), in the event that the Tianjin Companies are not in a position to repay the credit facilities by the maturity date in July 2008.

Other than the fair value of the guarantees amounting to HK$22,000,000 as at the date the guarantee was initially given, no provision for any liability or impairment that may result has been made in Road King's consolidated financial statements.

The uncertainties described above may affect the recoverability of the carrying amount of the Group's interests in associates. No provision for any impairment in the carrying value of the Group's interests in associates has been made in the consolidated financial statements.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

8th April, 2008

Consolidated Income Statement

For the year ended 31st December, 2007

	Notes	**2007** **HK$'000**	2006 HK$'000
Group revenue	6	**873,090**	678,236
Cost of sales		**(838,118)**	(636,763)
Gross profit		**34,972**	41,473
Other income	8	**31,055**	26,967
Investment income, gains and losses	9	**49,264**	35,707
Distribution costs		**(9,359)**	(5,516)
Administrative expenses		**(117,214)**	(119,782)
Impairment loss recognised in respect of property, plant and equipment	19	**(9,000)**	(15,000)
Change in fair value of structured borrowing	39	**6,539**	(10,869)
Finance costs	10	**(21,657)**	(10,811)
Discount on acquisition of additional interest in an associate	11	**—**	1,323
Net gain on deemed disposals of partial interest in an associate	12	**23,159**	36,085
Share of results of associates	24	**319,874**	285,050
Share of results of jointly controlled entities	25	**29,045**	26,860
Profit before tax	13	**336,678**	291,487
Income tax expense	16	**(6,834)**	(25,948)
Profit for the year		**329,844**	265,539
Attributable to:			
Equity holders of the Company		**326,095**	262,615
Minority interests		**3,749**	2,924
Profit for the year		**329,844**	265,539
Dividends	17	**95,175**	118,969
		HK cents	*HK cents*
Earnings per share	18		
— Basic		**41.12**	33.11
— Diluted		**40.65**	32.53

	Notes	2007 HK$'000	2006 HK$'000
Non-current assets			
Property, plant and equipment	19	**71,294**	83,385
Prepaid lease payments on land use rights	20	**5,602**	5,492
Intangible assets	21	**32,858**	32,858
Goodwill	22	**35,473**	35,950
Interests in associates	24	**3,286,397**	2,707,601
Interests in jointly controlled entities	25	**82,949**	60,869
Available-for-sale investments	26	**—**	3,127
Prepaid royalties	27	**2,621**	3,856
		3,517,194	2,933,138
Current assets			
Prepaid lease payments on land use rights	20	**127**	165
Available-for-sale investments	26	**—**	2,400
Prepaid royalties	27	**2,840**	3,545
Finance lease receivables	28	**271**	660
Inventories	29	**20,250**	19,880
Amounts due from customers for contract work	30	**80,322**	57,695
Debtors, deposits and prepayments	31	**288,448**	345,611
Amounts due from associates	32	**575**	2,017
Amounts due from jointly controlled entities	32	**14,732**	14,129
Tax recoverable		**2,673**	15,700
Held-for-trading investments	33	**122,729**	102,467
Pledged bank deposits	34	**2,058**	6,692
Bank balances and cash	34	**86,377**	98,089
		621,402	669,050
Current liabilities			
Amounts due to customers for contract work	30	**19,889**	1,094
Creditors and accrued charges	35	**283,764**	281,621
Amounts due to jointly controlled entities	36	**3,974**	29,350
Amounts due to associates	36	**7,682**	7,908
Amount due to a related company	36	**452**	12,256
Amounts due to minority shareholders	36	**3,359**	2,548
Tax liabilities		**12,496**	9,041
Other borrowings — due within one year	37	**21,697**	17
Bank loans— due within one year	38	**298,189**	170,602
Structured borrowing	39	**12,480**	12,480
Bank overdrafts, secured	34	**2,110**	—
		666,092	526,917
Net current (liabilities) assets		**(44,690)**	142,133

	Notes	2007 HK$'000	2006 HK$'000
Total assets less current liabilities		**3,472,504**	3,075,271
Non-current liabilities			
Deferred tax liabilities	*40*	**5,921**	5,750
Obligations in excess of interest in associates	*24*	**21,910**	22,044
Loan from a shareholder	*41*	**30,000**	—
Loans from minority shareholders	*42*	**960**	960
Amount due to an associate	*43*	**10,686**	11,689
Amounts due to jointly controlled entities	*44*	**4,067**	4,067
Other borrowings	*37*	**82**	9
Bank loans	*38*	**36,394**	68,918
Structured borrowing	*39*	**41,770**	60,789
		151,790	174,226
Total net assets		**3,320,714**	2,901,045
Capital and reserves			
Share capital	*45*	**79,312**	79,312
Share premium and reserves		**3,169,848**	2,754,137
Equity attributable to equity holders of the Company		**3,249,160**	2,833,449
Minority interests		**71,554**	67,596
Total equity		**3,320,714**	2,901,045

The consolidated financial statements on pages 49 to 141 were approved and authorised for issue by the Board of Directors on 8th April, 2008 and are signed on its behalf by:

Zen Wei Pao, William
Chairman

Zen Wei Peu, Derek
Vice Chairman

	Share capital HK$'000	Share premium HK$'000	Translation reserve HK$'000	Special reserve HK$'000 (Note)	Share options reserve HK$'000	Assets revaluation reserve HK$'000	Retained profits HK$'000	Total equity attributable to equity holders of the Company HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1st January, 2006	79,312	731,906	25,381	(29,530)	—	2,319	1,800,424	2,609,812	62,389	2,672,201
Exchange difference arising on translation of foreign operations	—	—	939	—	—	—	—	939	335	1,274
Share of reserves of associates	—	—	79,052	—	—	—	—	79,052	—	79,052
Net income recognised directly in equity	—	—	79,991	—	—	—	—	79,991	335	80,326
Profit for the year	—	—	—	—	—	—	262,615	262,615	2,924	265,539
Total recognised income and expense for the year	—	—	79,991	—	—	—	262,615	342,606	3,259	345,865
Capital contribution from a minority shareholder	—	—	—	—	—	—	—	—	2,500	2,500
Distribution to minority shareholders	—	—	—	—	—	—	—	—	(552)	(552)
Dividends paid	—	—	—	—	—	—	(118,969)	(118,969)	—	(118,969)
At 31st December, 2006	79,312	731,906	105,372	(29,530)	—	2,319	1,944,070	2,833,449	67,596	2,901,045
Exchange difference arising on translation of foreign operations	—	—	2,397	—	—	—	—	2,397	3,443	5,840
Share of reserves of associates	—	—	180,577	—	—	—	—	180,577	—	180,577
Net income recognised directly in equity	—	—	182,974	—	—	—	—	182,974	3,443	186,417
Profit for the year	—	—	—	—	—	—	326,095	326,095	3,749	329,844
Total recognised income and expense for the year	—	—	182,974	—	—	—	326,095	509,069	7,192	516,261
Recognition of equity-settled share-based payments	—	—	—	—	1,793	—	—	1,793	—	1,793
Acquisition of additional interest in subsidiaries	—	—	—	—	—	—	—	—	(3,713)	(3,713)
Forfeiture of share options issued by an associate	—	—	—	—	—	—	24	24	—	24
Disposal of partial interest in a subsidiary	—	—	—	—	—	—	—	—	990	990
Distribution to minority shareholders	—	—	—	—	—	—	—	—	(511)	(511)
Dividends paid	—	—	—	—	—	—	(95,175)	(95,175)	—	(95,175)
At 31st December, 2007	**79,312**	**731,906**	**288,346**	**(29,530)**	**1,793**	**2,319**	**2,175,014**	**3,249,160**	**71,554**	**3,320,714**

Note: The special reserve of the Group represents the difference between the nominal value of the shares of the acquired subsidiaries and the nominal value of the Company's shares issued for the acquisition at the time of the group reorganisation in 1992.

	2007	2006
	HK$'000	*HK$'000*
Operating activities		
Profit before tax	**336,678**	291,487
Adjustments for:		
Finance costs	**21,657**	10,811
Share of results of associates	**(319,874)**	(285,050)
Share of results of jointly controlled entities	**(29,045)**	(26,860)
Depreciation	**16,225**	15,558
Amortisation of prepaid lease payments on land use rights	**122**	159
Discount on acquisition of additional interest in an associate	**—**	(1,323)
Net gain on deemed disposals of partial interest in an associate	**(23,159)**	(36,085)
Gain on disposals of partial interest in an associate	**(294)**	—
Gain on disposals of partial interest in a subsidiary	**(2,585)**	—
Discount on acquisition of additional interest in a subsidiary	**(3,050)**	—
Interest on bank deposits	**(1,023)**	(1,637)
Interest on finance lease receivables	**(28)**	(120)
Interest on loans receivable	**(3,885)**	(1,463)
Gain on disposal of property, plant and equipment, net	**(3,262)**	(15,876)
Gain on disposal of commodity assets	**—**	(648)
Change in fair value of held-for-trading investments	**(48,286)**	(36,561)
Change in fair value of structured borrowing	**(6,539)**	10,869
Impairment loss recognised in respect of property, plant and equipment	**9,000**	15,000
Impairment loss on available-for-sale investments	**2,568**	4,503
Write-down of inventories	**—**	4,731
Allowance for doubtful debts	**1,247**	1,602
Bad debts written off	**1,517**	—
Share-based payments	**1,793**	—
Operating cash flows before movements in working capital	**(50,223)**	(50,903)
Increase in inventories	**(370)**	(1,681)
Increase in amounts due from customers for contract work	**(22,602)**	(17,898)
Decrease (increase) in debtors, deposits and prepayments and prepaid royalties	**13,674**	(158,119)
Increase in held-for-trading investments	**28,024**	5,559
Increase (decrease) in amounts due to customers for contract work	**18,795**	(15,067)
Increase in creditors and accrued charges	**2,143**	60,242
Cash used in operations	**(10,559)**	(177,867)
Income taxes refunded (paid)	**9,819**	(194)
Net cash used in operating activities	**(740)**	(178,061)

Consolidated Cash Flow Statement

For the year ended 31st December, 2007

	2007 *HK$'000*	2006 *HK$'000*
Investing activities		
Interest on bank deposits received	**1,023**	1,637
Interest on loans receivable received	**4,607**	741
Interest on finance lease receivables received	**28**	120
Distribution of profits from jointly controlled entities	**22,981**	17,761
Dividends received from associates	**139,095**	134,296
Repayment from (advances to) associates	**1,442**	(871)
Advances to jointly controlled entities	**(603)**	(11,021)
Increase in investments in associates	**(159,949)**	(27,839)
Acquisition of additional interest in a subsidiary	**(663)**	—
Capital contribution to a jointly controlled entity	**(12,197)**	—
Capital contribution from a minority shareholder of a subsidiary	**—**	2,500
Proceeds from partial disposals of interest in an associate	**2,252**	—
Proceeds from partial disposals of interest in a subsidiary	**4,052**	—
Proceeds from disposal of available-for-sale investments	**3,127**	—
Proceeds from disposal of property, plant and equipment	**12,309**	11,236
Decrease (increase) in pledged bank deposits	**4,634**	(5)
Purchase of property, plant and equipment	**(12,365)**	(10,788)
Expenditure on property and plant under construction	**—**	(31,854)
Repayment of finance lease receivables	**389**	714
Net cash from investing activities	**10,162**	86,627
Financing activities		
Interest paid on bank and other borrowings	**(21,205)**	(11,243)
New bank loans raised	**218,106**	151,468
Structured borrowing raised	**—**	62,400
Loan from a shareholder	**30,000**	—
Other borrowings raised	**21,773**	—
Repayment of bank loans	**(123,043)**	(39,948)
Repayment of other borrowings	**(20)**	(16)
Repayment of structured borrowing	**(12,480)**	—
Dividends paid	**(95,175)**	(118,969)
Distribution to minority shareholders of a subsidiary	**(511)**	(552)
Repayment to a related company	**(12,256)**	—
(Repayment to) advances from jointly controlled entities	**(25,376)**	24,777
(Repayment to) advances from associates	**(1,229)**	3,515
Advances from minority shareholders	**811**	—
Net cash (used in) from financing activities	**(20,605)**	71,432
Net decrease in cash and cash equivalents	**(11,183)**	(20,002)
Cash and cash equivalents at beginning of the year	**98,089**	118,417
Effect of foreign exchange rate changes, net	**(2,639)**	(326)
Cash and cash equivalents at end of the year	**84,267**	98,089
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	**86,377**	98,089
Bank overdrafts	**(2,110)**	—
	84,267	98,089

1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the section headed "Corporate Information" to the annual report.

The consolidated financial statements are presented in Hong Kong dollars which is the functional currency of the 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 55, 24 and 25 respectively.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

At 31st December, 2007, the Group has net current liabilities of HK$44,690,000. 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 consolidated financial statements have been prepared on a going concern basis.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, a number of new standard, amendment and interpretations (new "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are effective for the Group's financial year beginning on 1st January, 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) — Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC) — Int 8	Scope of HKFRS 2
HK(IFRIC) — Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) — Int 10	Interim Financial Reporting and Impairment

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

The Group has not early applied the following new standards, amendment 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]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HK(IFRIC) — Int 11	HKFRS 2: Group and Treasury Share Transactions[3]
HK(IFRIC) — Int 12	Service Concession Arrangements[4]
HK(IFRIC) — Int 13	Customer Loyalty Programmes[5]
HK(IFRIC) — Int 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[4]

1 Effective for annual periods beginning on or after 1st January, 2009.
2 Effective for annual periods beginning on or after 1st July, 2009.
3 Effective for annual periods beginning on or after 1st March, 2007.
4 Effective for annual periods beginning on or after 1st January, 2008.
5 Effective for annual periods beginning on or after 1st July, 2008.

HK(IFRIC) — INT 12 sets out general principles on recognising and measuring the obligations and related rights under service concession arrangements. The Group will apply this interpretation from 1st January, 2008. The directors of the Company has commenced considering the potential impact of this new interpretation but is still not yet in the position to reasonably estimate the impact that may arise on the Group's results and financial position. The directors of the Company anticipate that the application of the remaining standards or interpretations will have no material impact on the results and the financial position of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

When business combination involves more than one exchange transaction, the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities is measured separately at the date of each exchange transaction. Increase in those fair values relating to previously held interests of the Group is credited to the asset revaluation reserve.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 "Business Combinations" are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Goodwill

Goodwill arising on acquisitions prior to 1st January, 2005

Goodwill arising on an acquisition of net assets and operations of another entity or a jointly controlled entity for which the agreement date is before 1st January, 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant acquiree at the date of acquisition.

For previously capitalised goodwill, the Group has discontinued amortisation from 1st January, 2005 onwards, and such goodwill is tested for impairment annually, and whenever there is an indication that the cash generating unit to which the goodwill relates may be impaired.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill *(Continued)*

Goodwill arising on acquisitions on or after 1st January, 2005

Goodwill arising on an acquisition of a business for which the agreement date is on or after 1st January, 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant business, at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capital goodwill arising on acquisition of a business is presented separately in the consolidated balance sheet.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of the relevant cash-generating unit, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Excess of an acquirer's interest in the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over cost ("discount on acquisition")

A discount on acquisition arising on an acquisition of a subsidiary or an associate for which an agreement date is on or after 1st January, 2005 represents the excess of the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination. Discount on acquisition of a subsidiary/associate is recognised immediately in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Construction contract

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. Variations in contract work, claims, and incentive payments are included to the extent that they have been agreed with the customer.

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. Contract costs are recognised as expenses in the period in which they are incurred.

Others

Revenue from sale of goods is recognised when goods are delivered and title has passed.

Service income is recognised when services are provided.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

Property, plant and equipment, other than property and plant under construction, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment, other than property and plant under construction, over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

Property and plant under construction includes property, plant and equipment in the course of construction for production or for its own use purposes. Property and plant under construction is carried at cost less any recognised impairment loss. Property and plant under construction is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see accounting policy in respect of impairment loss on tangible and intangible assets below).

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, interests in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity of the jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity, the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

When a group entity transacts with a jointly controlled entity of the Group, profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Construction contracts

Where the outcome of a construction contract can be estimated reliably, contract costs are recognised in the consolidated 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.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

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

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

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets

Financial assets are classified into financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

— *Financial assets at fair value through profit or loss*

The Group's financial assets at fair value through profit or loss are the financial assets held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss exclude any dividend or interest earned on the financial assets.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

— *Loans and receivables*

Loans and receivables are non-derivate financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including finance lease receivables, debtors, amounts due from associates and jointly controlled entities, pledged bank deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

— *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss or loans and receivables.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition (see accounting policy on impairment loss on financial assets below).

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For an available-for sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade debtors, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Impairment of financial assets *(Continued)*

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade debtors, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade debt is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual agreements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities at fair value through profit or loss and other financial liabilities.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity *(Continued)*

— *Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss is the financial liabilities designated at fair value through profit or loss on initial recognition.

A financial liability may be designated as at fair value through profit or loss upon initial recognition if it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

The Group's structured borrowing is designated as financial liability at fair value through profit or loss. At each balance sheet date subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

— *Other financial liabilities*

Other financial liabilities (including creditors, amounts due to jointly controlled entities, associates, a related company and minority shareholders, bank and other borrowings, and loans from a shareholder and minority shareholders) are subsequently measured at amortised cost using the effective interest method.

— *Equity instruments*

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue cost.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis other than those financial liability designated as at fair value through profit or loss, of which the interest expense is included in net gains or losses.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derecognition *(Continued)*

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Leasing

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair values at the inception of the leases or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance costs are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see below).

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing *(Continued)*

Leasehold land and buildings

The land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally accounted for as property, plant and equipment. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are classified as prepaid lease payments on land use rights under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Taxation

Income tax expense 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 profit as reported in the consolidated 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. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amount of assets and liabilities in the consolidated 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 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 and associates, and interests in 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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 profits 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 to profit or loss, 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

Payments to the Group's defined contribution retirement benefit plans, including state-managed retirement schemes and mandatory provident fund scheme ("MPF Scheme"), are charged as expenses when employees have rendered service entitling them to the contributions.

Impairment losses on tangible and intangible assets other than goodwill (see accounting policy in respect of goodwill above)

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. In addition, intangible assets with indefinite useful lives are tested for impairment annually, and whenever there is an indication that they may be impaired. 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payment transactions

For the share options granted to directors and employees of the Company, the fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Recoverability of intangible assets arising from the acquisition of a subsidiary

During the year, management considered the recoverability of the intangible assets (i.e. construction licences with indefinite useful lives) arising from the acquisition of a subsidiary which is included in the consolidated balance sheet at 31st December, 2007 at HK$32,858,000. The construction projects continue to progress in a very satisfactory manner, and the recent new projects successfully secured by the Group has reconfirmed management's previous estimates of anticipated revenues generated from the acquired construction licences. However, increased market competition has caused management to reconsider its assumptions regarding future market shares and anticipated margins on these construction projects. Detailed sensitivity analysis has been carried out and management is confident that the carrying amount of the intangible assets will be recovered in full, even if returns are reduced. This situation will be closely monitored, and adjustments will be made in future periods if future market activity indicates such adjustments are appropriate.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate the present value. As at 31st December, 2007, the carrying amount of goodwill is HK$35,473,000. Details of the recoverable amount calculation are disclosed in note 23.

Income tax

As at 31st December, 2007, no deferred tax asset has been recognised in the Group's balance sheet in relation to unused tax losses of HK$420,280,000 due to unpredictability of future profit streams. The realisability of the unrecognised deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are greater than expected, a material deferred tax assets may arise, which would be recognised in the consolidated income statement for the period in which such future profits are recorded.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Construction contracts

The Group recognised profits and losses from construction contracts, which were derived from the latest available budgets of those construction contracts based on the overall performance of each construction contract and management's best estimates and judgements. Estimated construction income is determined in accordance with the terms set out in the relevant contracts. Estimated construction costs which mainly comprise sub-contracting charges and costs of materials are proposed by the management on the basis of quotations from time to time provided by the major contractors/suppliers/vendors involved and the experience of the management. Because of the nature of the construction industry, management regularly reviews the progress of the contracts and the estimated construction income and costs.

The Group's estimated profits from construction contracts of its jointly controlled entities were principally derived from the construction contracts being carried out by the jointly controlled entities. These figures were derived from the latest available budgets of the construction contracts which were prepared by the management of the respective jointly controlled entity and the Group and were based on the overall performance of each construction contract.

6. GROUP REVENUE

	2007	2006
	HK$'000	*HK$'000*
Group revenue	**873,090**	678,236
Share of revenue of jointly controlled entities	**486,452**	383,525
Group revenue and share of revenue of jointly controlled entities	**1,359,542**	1,061,761
Group revenue analysed by revenue from:		
Civil construction	**799,886**	605,927
Quarrying	**29,496**	42,609
Bio-technology	**35,240**	22,801
Others	**8,468**	6,899
	873,090	678,236

7. BUSINESS AND GEOGRAPHICAL SEGMENTS

The Group's revenue and profit for the year ended 31st December, 2007 and 2006 by business segments (primary) and geographical segments are as follows:

(a) Business segments

For management purposes, the Group classifies its businesses into five major operating divisions. These divisions are the basis on which the Group reports its primary segment information and their principal activities are as follows:

Civil construction
— construction of civil engineering projects

Quarrying
— production and sale of quarry products

Bio-technology
— research, development, production and sale of bio-technology products

Property development (operated through associates of the Group)
— investment in property development projects

Highway and expressway operations (operated through an associate of the Group)
— investment in, development, operation and management of highways and expressways

7. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

(a) Business segments *(Continued)*

	Civil construction	Quarrying	Bio-technology	Property development	Highway and expressway operations	Others	Elimination	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31st December, 2007								
Revenue								
Group revenue	799,886	29,496	35,240	–	–	8,468	–	873,090
Inter-segment sales	–	40	–	–	–	–	(40)	–
Segment revenue	799,886	29,536	35,240	–	–	8,468	(40)	873,090

Inter-segment sales are charged at prevailing market rates.

	Civil construction	Quarrying	Bio-technology	Property development	Highway and expressway operations	Others	Elimination	Total
Results								
Segment results	(35,132)	4,104	(19,339)	–	–	8,550		(41,817)
Investment income, gains and losses								49,264
Unallocated net expenses								(21,190)
Finance costs								(21,657)
Share of results of associates	134	–	–	150,725	178,334	(9,319)		319,874
Share of results of jointly controlled entities	29,045	–	–	–	–	–		29,045
Net gain on deemed disposals of partial interest in an associate								23,159
Profit before tax								336,678
Income tax expense								(6,834)
Profit for the year								329,844

7. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

(a) Business segments *(Continued)*

	Civil construction HK$'000	Quarrying HK$'000	Bio-technology HK$'000	Property development HK$'000	Highway and expressway operations HK$'000	Others HK$'000	Total HK$'000
As at 31st December, 2007							
Assets							
Segment assets	469,968	19,926	44,179	–	–	5,762	539,835
Interests in associates	–	–	–	2,376,463	898,281	11,653	3,286,397
Interests in jointly controlled entities	82,949	–	–	–	–	–	82,949
Unallocated corporate assets							229,415
Total consolidated assets							4,138,596
Liabilities							
Segment liabilities	243,059	17,250	16,623	–	–	26,721	303,653
Obligations in excess of interest in associates	21,910	–	–	–	–	–	21,910
Unallocated corporate liabilities							492,319
Total consolidated liabilities							817,882
Other information							
Capital additions	6,218	–	5,654	–	–	493	12,365
Amortisation of prepaid lease payments on land use rights	–	–	122	–	–	–	122
Allowance for doubtful debts	–	–	1,247	–	–	–	1,247
Bad debts written off	1,517	–	–	–	–	–	1,517
Depreciation	9,298	1,053	4,115	–	–	1,784	16,250
Impairment of property, plant and equipment	–	–	9,000	–	–	–	9,000
Gain on disposal of property, plant and equipment	192	2,842	–	–	–	228	3,262
Share-based payments							1,793

7. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

(a) Business segments *(Continued)*

	Civil construction	Quarrying	Bio-technology	Property development	Highway and expressway operations	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31st December, 2006							
Revenue							
Group/Segment revenue	605,927	42,609	22,801	—	—	6,899	678,236
Results							
Segment results	(20,783)	13,939	(32,449)	—	—	(6,248)	(45,541)
Investment income, gains and losses							35,707
Unallocated net expenses							(37,186)
Finance costs							(10,811)
Share of results of associates	(15)	—	—	98,131	204,742	(17,808)	285,050
Share of results of jointly controlled entities	26,860	—	—	—	—	—	26,860
Discount on acquisition of additional interest in an associate	—	—	—	429	894	—	1,323
Net gain on deemed disposals of partial interest in an associate							36,085
Profit before tax							291,487
Income tax expense							(25,948)
Profit for the year							265,539

7. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

(a) Business segments *(Continued)*

	Civil construction	Quarrying	Bio-technology	Property development	Highway and expressway operations	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31st December, 2006							
Assets							
Segment assets	401,858	40,563	52,410	—	—	10,411	505,242
Interests in associates	—	—	—	1,237,635	1,451,707	18,259	2,707,601
Interests in jointly controlled entities	60,869	—	—	—	—	—	60,869
Unallocated corporate assets							328,476
Total consolidated assets							3,602,188
Liabilities							
Segment liabilities	210,745	27,540	8,395	—	—	22,045	268,725
Obligations in excess of interest in associates	22,044	—	—	—	—	—	22,044
Unallocated corporate liabilities							410,374
Total consolidated liabilities							701,143
Other information							
Capital additions	33,859	1,749	4,570	—	—	3,886	44,064
Depreciation	9,769	1,240	3,922	—	—	1,524	16,455
Amortisation of prepaid lease payments on land use rights	—	—	159	—	—	—	159
Allowance for doubtful debts	—	—	1,602	—	—	—	1,602
Gain on disposal of property, plant and equipment	9,291	989	—	—	—	5,596	15,876
Impairment loss recognised in respect of property, plant and equipment	—	—	15,000	—	—	—	15,000
Write-down of inventories	—	—	4,731	—	—	—	4,731

7. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

(b) Geographical segments

The following is an analysis of the group revenue by the geographical market, based on geographical location of customers:

	2007 HK$'000	2006 HK$'000
Hong Kong	775,868	540,116
Other regions in the People's Republic of China (the "PRC")	55,034	120,469
Middle East	18,038	17,651
Taiwan	24,150	—
	873,090	678,236

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment and intangible assets, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment and intangible assets	
	2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'000
Segment assets located in:				
Hong Kong	316,025	295,836	1,801	4,237
Other regions in the PRC	189,707	187,190	5,913	39,676
Middle East	26,560	15,400	4,512	131
Taiwan	7,543	6,816	139	20
Total segment assets	539,835	505,242	12,365	44,064

8. OTHER INCOME

	2007 *HK$'000*	2006 *HK$'000*
Other income includes:		
Gain on disposals of partial interest in an associate	**294**	—
Gain on disposals of partial interest in a subsidiary	**2,585**	—
Discount on acquisition of additional interest in a subsidiary	**3,050**	—
Exchange gains, net	**2,453**	6
Gain on disposals of property, plant and equipment, net	**3,262**	15,876
Interest on bank deposits	**1,023**	1,637
Interest on finance lease receivables	**28**	120
Interest on loans and other receivable	**3,885**	1,463
Recovery of bad debt previously written off	**—**	2,298
Service income from associates for secretarial and management services rendered	**1,800**	850

9. INVESTMENT INCOME, GAINS AND LOSSES

	2007 *HK$'000*	2006 *HK$'000*
Change in fair value of held-for-trading investments	**48,286**	36,561
Dividend income from held-for-trading investments	**3,546**	3,001
Gain on disposal of commodity assets	**—**	648
Impairment loss on available-for-sale investments	**(2,568)**	(4,503)
	49,264	35,707

10. FINANCE COSTS

	2007 HK$'000	2006 HK$'000
Interest on:		
Bank and other borrowings wholly repayable within five years	**21,347**	11,899
Interest bearing amount due to an associate	**141**	158
Imputed interest expense on non-current interest-free amount due to an associate	**169**	176
	21,657	12,233
Less: amount capitalised in property and plant under construction	**—**	(1,422)
	21,657	10,811

11. DISCOUNT ON ACQUISITION OF ADDITIONAL INTEREST IN AN ASSOCIATE

During the year ended 31st December, 2006, the Group acquired, in aggregate, an additional 0.6% of the issued share capital of an associate, Road King Infrastructure Limited ("Road King"), at a consideration of HK$27,839,000, while the carrying value of the Group's share of the identifiable assets and liabilities of the associate at the respective dates of acquisition attributable to the acquired interest, in aggregate, amounted to HK$29,162,000. The excess of the carrying value over the cost of acquisition was credited to the consolidated income statement.

12. NET GAIN ON DEEMED DISPOSALS OF PARTIAL INTEREST IN AN ASSOCIATE

	2007	2006
	HK$'000	*HK$'000*
Gain (loss) on deemed disposals of partial interest in an associate arising from:		
Placement of new shares	**41,506**	64,646
Exercise of options granted to its directors and employees	**(18,347)**	(28,561)
	23,159	36,085

During the year, the Group's associate, Road King, issued 45,000,000 (2006: 80,000,000) ordinary shares at a price of HK$12.20 (2006: HK$10.96) per share by placing to various investors, and also issued 17,570,000 (2006: 19,200,000) ordinary shares at the weighted average exercise price of HK$6.90 (2006: HK$5.52) per share upon exercise of options granted to the directors and employees of Road King under the share option scheme of Road King. As a result, the interest of the Group in Road King was reduced in aggregate by 3.34% (2006: 6.7%) resulting in a net gain on deemed disposals of HK$23,159,000 (2006: HK$36,085,000).

13. PROFIT BEFORE TAX

	2007 HK$'000	2006 HK$'000
Profit before tax has been arrived at after charging (crediting):		
Allowance for doubtful debts	**1,247**	1,602
Amortisation of prepaid lease payments on land use rights	**122**	159
Auditor's remuneration:		
Provision for the current year	**3,282**	3,257
(Over)underprovision in prior years	**(196)**	152
	3,086	3,409
Bad debts written off	**1,517**	—
Depreciation:		
Owned assets	**16,232**	16,429
Assets held under finance lease and sale and leaseback arrangement	**18**	26
	16,250	16,455
Less: Amount attributable to construction contracts	**(25)**	(897)
	16,225	15,558
Hire charges for plant and machinery	**29,848**	41,227
Less: Amount attributable to construction contracts	**(29,341)**	(41,227)
	507	—
Impairment of property, plant and equipment	**9,000**	15,000
Operating lease rentals in respect of land and buildings	**7,231**	5,995
Less: Amount attributable to construction contracts	**(450)**	(68)
	6,781	5,927
Share of tax charge of associates (included in share of results of associates)	**135,743**	35,115
Share of tax (credit) charge of jointly controlled entities (included in share of results of jointly controlled entities)	**(3,297)**	1,790
Staff costs:		
Directors' remuneration *(note 14)*	**13,739**	14,605
Other staff costs	**215,012**	170,199
Retirement benefits scheme contributions, excluding amounts included in directors' remuneration and net of forfeited contributions of HK$523,000 (2006: HK$373,000)	**10,805**	9,130
Share-based payments (exclude directors)	**449**	—
	240,005	193,934
Less: Amount attributable to construction contracts	**(156,507)**	(117,927)
	83,498	76,007
Write-down of inventories	**—**	4,731

14. DIRECTORS' REMUNERATION

The remuneration paid or payable to each of the ten (2006: nine) directors were as follows:

	Fee	Salary and other benefits	Performance related incentive payments	Retirement benefits scheme contributions	Share-based payments	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31st December, 2007						
Executive directors:						
Zen Wei Pao, William	–	–	2,958	367	224	3,549
Zen Wei Peu, Derek	–	2,394	3,109	291	224	6,018
Wong Wing Cheung, Dennis	–	875	–	44	160	1,079
Chiu Wai Yee, Anriena	–	835	83	78	160	1,156
	–	4,104	6,150	780	768	11,802
Non-executive directors:						
Lam Wai Hon, Patrick *(note)*	297	–	–	–	96	393
Cheng Chi Pang, Leslie *(note)*	297	–	–	–	96	393
Chu Tat Chi	152	–	–	–	96	248
	746	–	–	–	288	1,034
Independent non-executive directors:						
Wong Che Ming, Steve	205	–	–	–	96	301
Wan Siu Kau, Samuel	205	–	–	–	96	301
Wong Man Chung, Francis	205	–	–	–	96	301
	615	–	–	–	288	903
	1,361	4,104	6,150	780	1,344	13,739

Note: Include HK$145,000 fee as director of Build King.

14. DIRECTORS' REMUNERATION *(Continued)*

	Fee	Salary and other benefits	Performance related incentive payments	Retirement benefits scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31st December, 2006					
Executive directors:					
Zen Wei Pao, William	—	62	5,000	320	5,382
Zen Wei Peu, Derek	—	1,971	5,000	281	7,252
Chiu Wai Yee, Anriena	—	710	30	66	806
	—	2,743	10,030	667	13,440
Non-executive directors:					
Lam Wai Hon, Patrick	145	—	—	—	145
Cheng Chi Pang, Leslie *(note)*	290	—	—	—	290
Chu Tat Chi	145	—	—	—	145
	580	—	—	—	580
Independent non-executive directors:					
Wong Che Ming, Steve	195	—	—	—	195
Wan Siu Kau, Samuel	195	—	—	—	195
Wong Man Chung, Francis	195	—	—	—	195
	585	—	—	—	585
	1,165	2,743	10,030	667	14,605

Note: Include HK$145,000 fee as director of Build King.

14. DIRECTORS' REMUNERATION *(Continued)*

The performance related incentive payment is determined by reference to the profit of the Group or individual performance of the directors for the year.

There was no arrangement under which a director waived or agreed to waive any remuneration and no payment of inducement fees and compensation for loss of office as director during both the current and last year.

15. EMPLOYEES' EMOLUMENTS

Details of the emoluments of the five highest paid individuals included two directors (2006: two directors) set out in note 14 above. The emoluments of the remaining three (2006: three) highest paid individuals are as follows:

	2007	2006
	HK$'000	*HK$'000*
Salary and other benefits	**5,819**	5,014
Retirement benefits scheme contributions	**436**	376
	6,255	5,390

The emoluments were within the following bands:

	Number of employees	
	2007	2006
HK$1,000,001 to HK$1,500,000	**—**	1
HK$1,500,001 to HK$2,000,000	**1**	1
HK$2,000,001 to HK$2,500,000	**2**	1

16. INCOME TAX EXPENSE

	2007	2006
	HK$'000	*HK$'000*
Income tax for the year		
Hong Kong	**6,781**	5,157
Other jurisdictions	**165**	257
	6,946	5,414
(Over)underprovision in prior years		
Hong Kong	**(283)**	20,472
Other jurisdictions	**—**	62
	(283)	20,534
Deferred tax *(note 40)*	**171**	—
	6,834	25,948

Hong Kong Profits Tax is calculated at 17.5% (2006: 17.5%) on the estimated assessable profit for the year.

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

In 2002, Zen Pacific Civil Contractors Limited ("ZPCCL") and Leader Civil Engineering Corporation Ltd. ("LCECL"), both of them being subsidiaries of the Company, entered into a Project Coordination Agreement (the "Agreement"), pursuant to which ZPCCL transferred to LCECL all economic benefits and obligations arising from being partners of several joint ventures at a fixed consideration. Upon the completion of the sale and transfer, the management took the view that LCECL was entitled to share profits of these joint ventures and hence able to offset the profits derived from which against its tax losses. Based on this view, income taxes of approximately HK$19 million paid by the joint ventures in respect of LCECL's share of profits were recognised as other debtors under current assets at 31st December, 2005.

16. INCOME TAX EXPENSE *(Continued)*

During the year ended 31st December, 2006, Inland Revenue Department ("IRD") of the Hong Kong Special Administrative Region (the "HKSAR") informed the Group that regardless of the commercial substance of the Agreement and the accounting treatment of the transactions as if it was an outright sale and transfer of interests in joint ventures by ZPCCL to LCECL, IRD was of the view that ZPCCL as the legal partner of these joint ventures and therefore LCECL was not entitled to offset the profits derived from these joint ventures against its tax losses.

Having consulted with the Group's legal and tax advisers, the management accepted IRD's view and the consolidated financial statements for the year ended 31st December, 2006 were therefore prepared on basis that ZPCCL remained the legal partner of these joint ventures from income tax point of view. The resulting impact on financial results and position of the Group was an underprovision of prior years' income taxes of approximately HK$20 million, which was charged to the income tax expense for the year ended 31st December, 2006.

Income tax expense for the year can be reconciled to the profit before tax per the consolidated income statement as follows:

	2007	2006
	HK$'000	*HK$'000*
Profit before tax	**336,678**	291,487
Income tax expense at the applicable rate of 17.5% (2006: 17.5%)	**58,919**	51,010
Tax effect of expenses not deductible for tax purpose	**8,403**	13,190
Tax effect of tax losses not recognised	**16,489**	10,243
Tax effect of income not taxable for tax purpose	**(12,117)**	(13,133)
(Over)underprovision in prior years	**(283)**	20,534
Tax effect of utilisation of tax losses not previous recognised	**(3,422)**	(4,079)
Effect of different tax rates for the operations in other jurisdictions	**(27)**	1,832
Tax effect of share of results of associates	**(55,978)**	(49,884)
Tax effect of share of results of jointly controlled entities	**(5,083)**	(4,701)
Others	**(67)**	936
Income tax expense for the year	**6,834**	25,948

17. DIVIDENDS

	2007	2006
	HK$'000	*HK$'000*
Dividends paid and recognised as distributions during the year:		
2006 final dividend — HK6 cents (2006: 2005 final dividend — HK9 cents) per share	**47,587**	71,381
2007 interim dividend — HK6 cents (2006: 2006 interim dividend — HK6 cents) per share	**47,588**	47,588
	95,175	118,969

A final dividend for the year ended 31st December, 2007 of HK6 cents (2006: HK6 cents) per ordinary share has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting. This final dividend has not been included as a liability in the consolidated financial statements.

18. EARNINGS PER SHARE

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

	2007	2006
	HK$'000	*HK$'000*
Earnings for the purpose of basic earnings per share	**326,095**	262,615
Effect of dilutive potential ordinary shares:		
Decrease in share of profit of an associate arising from exercise of share options issued by that associate	**(3,694)**	(4,605)
Earnings for the purpose of diluted earnings per share	**322,401**	258,010

	Number of shares	
Number of ordinary shares for the purpose of basic earnings per share and diluted earnings per share	793,124,034	793,124,034

The exercise prices of the Company's outstanding share options are higher than the average fair value per share, no dilution effect therefore has been accounted for.

19. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Vessels HK$'000	Property and plant under construction HK$'000 (Note)	Total HK$'000
COST								
At 1st January, 2006	79,995	13,199	229,727	26,445	10,263	100,924	7,525	468,078
Exchange realignment	918	—	647	176	46	—	278	2,065
Additions	4,120	—	5,706	480	482	—	33,276	44,064
Disposals	(16,497)	(766)	(10,416)	(271)	(828)	(15,931)	—	(44,709)
At 31st December, 2006	68,536	12,433	225,664	26,830	9,963	84,993	41,079	469,498
Exchange realignment	2,107	—	1,207	105	87	—	2,768	6,274
Transfer	33,007	—	6,740	3,874	226	—	(43,847)	—
Additions	1,941	4	3,673	1,418	1,129	4,200	—	12,365
Disposals	—	—	(21,327)	(102)	(1,060)	(300)	—	(22,789)
At 31st December, 2007	105,591	12,437	215,957	32,125	10,345	88,893	—	465,348
DEPRECIATION AND IMPAIRMENT								
At 1st January, 2006	56,607	12,730	212,079	23,772	9,369	83,602	—	398,159
Exchange realignment	19	—	172	101	13	—	—	305
Provided for the year	1,491	246	4,572	900	256	8,990	—	16,455
Impairment loss recognised	10,355	—	4,645	—	—	—	—	15,000
Eliminated on disposals	(16,497)	(766)	(10,156)	(271)	(828)	(15,288)	—	(43,806)
At 31st December, 2006	51,975	12,210	211,312	24,502	8,810	77,304	—	386,113
Exchange realignment	849	—	1,005	85	37	—	—	1,976
Provided for the year	4,046	123	5,236	1,768	568	4,509	—	16,250
Impairment loss recognised	7,500	—	1,000	500	—	—	—	9,000
Eliminated on disposals	—	—	(17,895)	(98)	(1,060)	(232)	—	(19,285)
At 31st December, 2007	64,370	12,333	200,658	26,757	8,355	81,581	—	394,054
CARRYING VALUES								
At 31st December, 2007	**41,221**	**104**	**15,299**	**5,368**	**1,990**	**7,312**	**–**	**71,294**
At 31st December, 2006	16,561	223	14,352	2,328	1,153	7,689	41,079	83,385

Note: Pursuant to the Build-Operate-Transfer Agreement ("BOT Agreement") entered into in April 2005 between Wuxi Qianhui Sewage Treatment Co., Ltd ("Wuxi Qianhui"), a non-wholly owned subsidiary of the Group and the People's Government of Qian Qiao Zhen, Hui Shan District, Wu Xi City, Wuxi Qianhui was granted the right to construct and operate a sewage treatment plant for a term of 30 years. By the end of the 30th year, the sewage treatment plant will then be transferred to the People's Government of Qian Qiag then at zero consideration. The sewage treatment plant is completely constructed and commenced its operations in the first quarter of 2007 and accordingly, the property and plant under construction is classified to appropriate category of property, plant and equipment. At the balance sheet date, the carrying value of the sewage treatment plant is HK$40,245,000.

19. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The above items of property, plant and equipment are depreciated on a straight-line basis and after taking into account of their estimated residual value at the following rates per annum:

Buildings	Over the shorter of the term of leases or 20-30 years
Leasehold improvements	$33^1/_3$% 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%

The buildings are located in the PRC and held under medium term leases.

The carrying value of property, plant and equipment in respect of assets held under finance lease and sale and leaseback arrangement is HK$79,000 (2006: HK$13,000).

During the year ended 31st December, 2007, the Group carried out a review of the recoverable amount of its property, plant and equipment used in the Group's bio-technology segment in light of continuous loss of this segment. The review led to the recognition of an additional impairment loss of HK$9,000,000 (2006: HK$15,000,000), that has been recognised in the consolidated income statement. The recoverable amount of the relevant assets has been determined on the basis of their value in use. The discount rate used in measuring value in use was 12% (2006: 12%) per annum.

As at 31st December, 2006, prepaid lease payment on land use rights and buildings with a carrying value of HK$3,255,000 and HK$3,826,000 respectively were pledged to secure the banking facilities granted to the Group. The pledged prepaid lease payment on land use rights and buildings have been released during the year.

20. PREPAID LEASE PAYMENTS ON LAND USE RIGHTS

	2007	2006
	HK$'000	*HK$'000*
Medium-term leasehold land in the PRC	**5,729**	5,657
Analysed for reporting purposes as:		
Non-current asset	**5,602**	5,492
Current asset	**127**	165
	5,729	5,657

21. INTANGIBLE ASSETS

The amount represents the initial fair value of the construction licences (with indefinite useful lives) held by Kaden Construction Limited acquired by the Group in 2005 (the "acquired subsidiary").

The construction licences are granted by the Works Branch, Development Bureau of HKSAR to the acquired subsidiary through which the acquired subsidiary is eligible to undertake government construction contracts of all five categories of public works, namely port works, site formation, road and drainage, water works and buildings with no limitation in contract sum. The construction licences basically have no legal life but are renewable every year as long as the acquired subsidiary is able to comply with certain provisions and requirements set out by the Works Branch, Development Bureau of HKSAR throughout the relevant period.

Various studies including sensitivity analysis and market trends have been carried out by management of the Group, which supports that the construction licences have no foreseeable limit to the period over which the construction licences are expected to generate net cash inflow for the Group. As a result, the construction licences are considered by management of the Group as having indefinite useful lives because they are expected to contribute net cash inflow indefinitely. The construction licences will not be amortised until their useful lives are determined to be finite. Instead they will be tested for impairment annually and whenever there is an indication that they may be impaired. Particulars regarding the impairment testing on intangible assets are disclosed in note 23.

22. GOODWILL

The amount represents goodwill arising on the reverse acquisition of a subsidiary in 2004.

During the year, an amount of HK$477,000 was released on disposals of partial interest in a subsidiary by the Group. Particulars regarding impairment testing on goodwill are disclosed in note 23.

23. IMPAIRMENT TESTING ON GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

For the purposes of impairment testing, goodwill has been allocated to the underlying cash generating unit ("CGUs") which represent the subsidiary, Build King Holdings Limited ("Build King") and its subsidiaries which existed at the time of reverse acquisition of Build King and its subsidiaries in 2004.

For the purpose of impairment testing, intangible assets with indefinite useful lives set out in note 21 have been allocated to the CGU of the remaining subsidiary acquired in 2005, which holds the construction licences granted by the Works Branch, Development Bureau of HKSAR and through which it is eligible to undertake government construction contracts for all five categories of public works with no limitation in contract sum.

During the year ended 31st December, 2007, management of the Group determined that there are no impairments of any of its CGUs containing goodwill and intangible assets.

The recoverable amounts of the above CGUs have been determined on the basis of value in use calculations. Their recoverable amounts are based on certain key assumptions. All value in use calculations use cash flow projections based on latest financial budgets approved by the Group's management covering a period of 5 years, and a discount rate of 10% (2006: 10%). Goodwill and intangible assets are expected to generate cash flows for an indefinite period of time. Cash flow projections during the budget period for the CGUs are based on the expected gross margins during the budget period. Budgeted gross margins have been determined based on past performance and management's expectations for the market development.

24. INTERESTS IN ASSOCIATES/OBLIGATIONS IN EXCESS OF INTERESTS IN ASSOCIATES

	2007	2006
	HK$'000	*HK$'000*
Cost of investment in associates		
Listed in Hong Kong *(note i)*	**1,543,877**	1,430,087
Quoted on National Association of Securities Dealers Automated Quotation's Over the Counter Bulletin Board in the United States of America ("OTCBB")	**36,878**	36,878
Unlisted	**81,420**	4
Share of post-acquisition profits, losses and reserves, net of dividends received	**1,602,312**	1,218,588
	3,264,487	2,685,557
Fair value of listed investments	**3,909,781**	3,166,150
Quoted value of investments on OTCBB	**2,062**	8,246
Represented by:		
Interests in associates	**3,286,397**	2,707,601
Obligations in excess of interests in associates *(note ii)*	**(21,910)**	(22,044)
	3,264,487	2,685,557

Notes:

(i) Included in the cost of investment in associates is goodwill of HK$30,964,000 (2006: nil) arising on acquisition of additional interests in an associate during the year.

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

24. INTERESTS IN ASSOCIATES/OBLIGATIONS IN EXCESS OF INTERESTS IN ASSOCIATES *(Continued)*

Details of the principal associates of the Group at 31st December, 2007 are as follows:

Name of associate	Form of business structure	Place of incorporation/ operation	Effective interest held by the Group %	Principal activities
Chai-Na-Ta Corp. ("CNT") *(note a)*	Incorporated	Canada	38.086	Production and sales of North American ginseng
Hong Kong Landfill Restoration Group Limited	Incorporated	Hong Kong	19.175 *(note b)*	Civil engineering
Road King Infrastructure Limited *(note c)*	Incorporated	Bermuda	37.643	Investment in and development, operation and management of highways and expressways, and property development
Sunco Property Holdings Company Limited *(note d)*	Incorporated	British Virgin Islands	5.276	Property development

24. INTERESTS IN ASSOCIATES/OBLIGATIONS IN EXCESS OF INTERESTS IN ASSOCIATES *(Continued)*

Notes:

(a) The shares of CNT are quoted on OTCBB.

(b) The Group holds the effective interests in the associates through Build King, the Company's 55.58% subsidiary whose shares are listed on the Main Board of the Stock Exchange.

(c) The following matters have been reported in the consolidated financial statements of Road King for the year ended 31st December, 2007:

On 26th May, 2007, 天津順馳濱海不動產投資管理有限公司, a wholly-owned subsidiary of Sunco Property Holdings Company Limited ("Sunco Property"), entered into a sale and purchase agreement with certain subsidiaries of Sunco Real Estate Investment Limited ("Sunco Real Estate"), being the vendor, for the acquisition of the entire equity interests in 天津順馳新地置業有限公司 and 天津順馳融信置地有限公司 (collectively referred to as the "Tianjin Companies") at a total cash consideration of RMB563,180,000 (equivalent to HK$592,821,000). Sunco Real Estate was formerly controlled by Mr. Sun Hongbin, the beneficial owner of Sunco Property prior to Road King's acquisition in January 2007 and Sunco Property was an associate of Road King as at the date the sale and purchase agreement was entered into.

Upon the completion of the acquisition of additional 39.46% interest in Sunco Property by Road King on 27th July, 2007, Sunco Property became an indirect subsidiary of Road King and, in the absence of the circumstances described below, the Tianjin Companies would also have become indirect subsidiaries of Road King.

The PRC legal counsel has confirmed that the legal procedures in respect of the acquisition of the Tianjin Companies have been completed and the acquisition is legally enforceable under the relevant laws in the PRC. However, despite the fact that the board of directors of the Tianjin Companies were appointed by Road King, Road King has not yet obtained effective control or significant influence over the Tianjin Companies as the former management of the Tianjin Companies have not yet allowed the representatives of Road King to access the office of the Tianjin Companies, and have not yet handed over the official seals, the books and records as well as other relevant documents of the Tianjin Companies. Without such access, official seals and books and records, Road King has not yet effectively obtained control of the Tianjin Companies.

Road King has implemented certain preventive measures to preserve the assets of the Tianjin Companies including, but not limited to, i) issuing a warning letter to the former management preventing them from taking any actions which will be detrimental to the Tianjin Companies; and ii) publishing a notice in a local newspaper in Tianjin to alert the public to take extra care when entering into any transactions with the Tianjin Companies.

24. INTERESTS IN ASSOCIATES/OBLIGATIONS IN EXCESS OF INTERESTS IN ASSOCIATES *(Continued)*

Notes: (Continued)

(c) *(Continued)*

Despite the fact that Road King has taken steps with a view to obtain effective control over the Tianjin Companies, Road King has not yet obtained effective control or exercise significant influence over the operating and financing policies of the Tianjin Companies. In view of this, the Tianjin Companies are not currently considered to be subsidiaries or associates of Road King and therefore they are accounted for as available-for-sale investments. Accordingly, the financial statements of the Tianjin Companies have not been consolidated into Road King's consolidated financial statements. The investments in the Tianjin Companies have been recorded at cost less impairment as at 31st December, 2007 because the investments are unquoted equity shares whose range of reasonable fair value estimates is so significant that the directors are of the opinion that the fair values cannot be measured reliably. Based on the impairment review on the investments in the Tianjin Companies, in the opinion of the directors of Road King, no impairment on the investment costs in the Tianjin Companies is considered as necessary.

Road King has commenced legal proceedings in the Tianjin District People's Court in October 2007 to enforce its rights and to assume effective control over the Tianjin Companies. The date of hearing has not been fixed at the date of this report. The directors of Road King, based on advices of the PRC legal adviser, are of the firm belief that the court ruling will be favourable to Road King and accordingly, Road King can assume effective control over the Tianjin Companies in the foreseeable future. Road King will continue its best endeavour to pursue the lawsuit in order to assume effective control over the Tianjin Companies.

In addition, at 31st December, 2007, Road King provided guarantees in favour of banks to provide credit facilities to the Tianjin Companies, amounting to HK$315,789,000. The bank loans are pledged by the properties including land and properties under development for sale held by the Tianjin Companies. The fair value of the financial guarantees at the date of inception and at 31st December, 2007 was HK$22,000,000 and the amortisation of the fair value of the financial guarantees amounting to HK$9,000,000 has been credited to the consolidated income statement of Road King and the balance of HK$13,000,000 has been included in the consolidated balance sheet of Road King under other accrued charges.

In view of the circumstances as stated above, there exist uncertainties in respect of the Group's interests in Road King, the resolution of which may affect the recoverability of the carrying amount of the Group's interests in associates and the Group's share of results of associates in future periods. Other than the fair value of the guarantees amounting to HK$22,000,000 as at the date the guarantee was originally given, no provision of any liability or impairment that may result has been made on Road King's consolidated financial statements. Accordingly, the directors are of view that no impairment against the Group's interests in associates is necessary.

(d) The Group holds additional effective interests of 33.30% in Sunco Property through Road King.

24. INTERESTS IN ASSOCIATES/OBLIGATIONS IN EXCESS OF INTERESTS IN ASSOCIATES *(Continued)*

The above table lists the associates 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 associates would, in the opinion of the directors, result in particulars of excessive length.

The summarised financial information in respect of the Group's associates which are accounted for using the equity method is set out below:

Operating results:

	2007	2006
	HK$'000	*HK$'000*
Revenue	**5,070,426**	617,249
Profit for the year	**1,015,739**	637,488
Profit for the year attributable to the Group	**319,874**	285,050

Financial position:

	2007	2006
	HK$'000	*HK$'000*
Non-current assets	**6,800,634**	5,353,694
Current assets	**23,044,743**	5,899,792
Current liabilities	**(13,552,029)**	(2,788,133)
Non-current liabilities	**(6,272,748)**	(1,620,707)
Net assets	**10,020,600**	6,844,646
Net assets attributable to the Group	**3,233,523**	2,685,557

25. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	2007	2006
	HK$'000	*HK$'000*
Cost of investment in unlisted jointly controlled entities	**53,484**	41,287
Share of post-acquisition profits, net of dividends received	**29,465**	19,582
	82,949	60,869

At 31st December, 2007, 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**	**Effective interest held by the Group** %	**Principal activities**
ACC-Leader Joint Venture	Unincorporated	Middle East	27.79 *(note a)*	Civil engineering
China Railway Tenth Group Third Engineering Co., Ltd.	Incorporated *(note c)*	PRC	27.23 *(note a)*	Civil engineering
Dragages (HK) Joint Venture	Unincorporated	Hong Kong	7.78 *(notes a and b)*	Civil engineering
Hip Hing-Leader JV Limited	Incorporated	Hong Kong	18.53 *(notes a and b)*	Civil engineering
Kaden-ATAL Joint Venture	Unincorporated	Hong Kong	27.79 *(note a)*	Civil engineering
Kaden-STAMsteel Joint Venture (HKBAC)	Unincorporated	Hong Kong	40.02 *(note a)*	Civil engineering
Kaden-STAMsteel Joint Venture (HAECO)	Unincorporated	Hong Kong	27.79 *(note a)*	Civil engineering
Shanxi Jin Ya Road and Bridge Construction Co., Ltd.	Incorporated *(note c)*	PRC	28.35 *(note a)*	Road construction
常州利駿建築工程有限公司	Incorporated *(note d)*	PRC	22.23 *(note a)*	Property construction

25. INTERESTS IN JOINTLY CONTROLLED ENTITIES *(Continued)*

Notes:

a. The Group holds the effective interests in the jointly controlled entities through Build King.

b. The Group holds less than 20% interests in these entities through Build King. 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.

c. The company is an equity joint venture registered in the PRC.

d. The company is a foreign owned enterprise registered in the PRC.

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.

The summarised financial information in respect of the Group's jointly controlled entities which are accounted for using the equity method is set out below:

Share of results attributable to the Group:

	2007	2006
	HK$'000	*HK$'000*
Revenue	**486,452**	383,525
Other income	**4,657**	2,435
Total revenue	**491,109**	385,960
Total expenses	**(465,361)**	(357,310)
Profit before tax	**25,748**	28,650
Income tax credit (expense)	**3,297**	(1,790)
Profit for the year	**29,045**	26,860

25. INTERESTS IN JOINTLY CONTROLLED ENTITIES *(Continued)*

Share of assets and liabilities attributable to the Group:

	2007	2006
	HK$'000	*HK$'000*
Non-current assets	**25,319**	18,257
Current assets	**316,064**	240,121
Current liabilities	**(253,816)**	(197,097)
Non-current liabilities	**(4,618)**	(412)
Net assets	**82,949**	60,869

26. AVAILABLE-FOR-SALE INVESTMENTS

	2007	2006
	HK$'000	*HK$'000*
Unlisted equity securities, at cost	**3,368**	6,327
Less: Impairment loss recognised	**(3,368)**	(800)
	–	5,527
Classified as:		
Non-current available-for-sale investments	**–**	3,127
Current available-for-sale investments	**–**	2,400
	–	5,527

The unlisted investments represent investments in unlisted equity securities issued by private entities incorporated in the PRC. They are measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair values cannot be measured reliably.

27. PREPAID ROYALTIES

Prepaid royalties are analysed as follows:

	2007	2006
	HK$'000	*HK$'000*
Within one year	**2,840**	3,545
In the second to fifth year inclusive	**36,621**	37,856
	39,461	41,401
Less: Allowance	**(34,000)**	(34,000)
	5,461	7,401
Less: Amount recoverable within one year shown under current assets	**(2,840)**	(3,545)
Amount recoverable after one year	**2,621**	3,856

This amount represents the cost of construction work to be recoverable from the local government of Wanshan, in the PRC, which would be settled by a waiver of royalty fees arising from the sale of quarry products from a quarry of the Group in the PRC. Hence, in substance, it is royalty prepayment. In 2004, the directors considered the prospects of the construction industry and reassessed the likelihood of the settlement of these prepaid royalties in full through the waiver of royalty fees arising from the sale of quarry products. Based on the anticipated sales of quarry products, the directors were of the opinion that the prepaid royalties would not be recoverable in full, and accordingly an allowance of HK$34,000,000 was recognised in the consolidated income statement for the year ended 31st December, 2004.

For reporting purposes based on directors' best estimation, prepaid royalties expected to be utilised within next twelve months are classified under current assets, whereas the remaining amount is classified under non-current assets.

28. FINANCE LEASE RECEIVABLES

	Minimum lease payments		Present value of minimum lease payments	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Finance lease receivables comprise:				
Within one year	**278**	695	**271**	660
Less: Unearned finance income	**(7)**	(35)	**—**	—
Present value of minimum lease payments receivable	**271**	660	**271**	660

The Group leased out certain of its plant and machinery under finance leases. The average lease term is 3 years. All leases are on a fixed repayment basis.

The effective interest rates of the above finance leases range from 4% to 6% per annum for both years.

Finance lease receivables are secured over the plant and machinery leased. The Group is not permitted to sell or repledge the collateral in the absence of default by the lessee.

The directors consider the carrying amount of finance lease receivables approximate its fair value.

29. INVENTORIES

	2007	2006
	HK$'000	*HK$'000*
Raw materials	**8,084**	4,089
Work in progress	**485**	1,396
Consumables	**6,281**	6,239
Finished goods	**5,400**	8,156
	20,250	19,880

The cost of inventories recognised as an expense during the year is HK$54,067,000 (2006: HK$47,213,000).

30. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK

	2007	2006
	HK$'000	*HK$'000*
Contracts in progress at balance sheet date:		
Contract costs incurred plus recognised profits less recognised losses	**4,605,231**	3,746,987
Less: Progress billings	**(4,544,798)**	(3,690,386)
	60,433	56,601
Represented by:		
Due from customers included in current assets	**80,322**	57,695
Due to customers included in current liabilities	**(19,889)**	(1,094)
	60,433	56,601

31. DEBTORS, DEPOSITS AND PREPAYMENTS

	2007	2006
	HK$'000	*HK$'000*
Trade debtors	**207,799**	202,913
Less: allowance for doubtful debts	**(12,594)**	(11,070)
	195,205	191,843
Retention receivables	**32,608**	19,814
Loans receivable *(note)*	**—**	81,069
Other debtors, deposits and prepayments	**60,635**	52,885
	288,448	345,611

Note: At 31st December, 2006, the Group made cash advances of HK$45,032,000 and HK$36,037,000 to Sunco Property and Sunco Real Estate, which is controlled by a shareholder of Sunco Property before the date of the loan fully repaid, respectively. These loans carried interest at 12% per annum. The advance to Sunco Property had been fully repaid upon completion of the Group's subscription of 5% of the enlarged issued share capital of Sunco Property in January 2007. The advance to Sunco Real Estate together with accrued interest thereon had been partially used to satisfy the consideration of HK$36,400,000 to acquire additional interest in Sunco Property, and the remaining balance had been fully repaid by cash in July 2007.

Included in Group's other debtors are other debtor with a carrying amount of HK$70,000 (2006: HK$3,430,000) which denominated in Renminbi that is the currency other than the functional currencies of the respective group entities.

31. DEBTORS, DEPOSITS AND PREPAYMENTS *(Continued)*

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

	2007	2006
	HK$'000	*HK$'000*
0 to 60 days	**189,609**	186,401
61 to 90 days	**140**	126
Over 90 days	**5,456**	5,316
	195,205	191,843
Retention receivables		
Due within one year	**19,658**	17,001
Due more than one year	**12,950**	2,813
	32,608	19,814

Retention receivables are interest-free and recoverable at the end of the retention period of individual construction contracts.

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines its credit limit. Limits and scoring attributed to customers are reviewed periodically. 90% of the trade receivables that are neither past due nor impaired have good settlement repayment history.

In determining the recoverability of a trade debtor, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to major customer of the Group is the Government of the HKSAR. Accordingly, the directors believe that there is no further provision required.

Included in the Group's trade debtors are debtors with a carrying amount of HK$7,170,000 at 31st December, 2007 (2006: HK$3,857,000) which are past due at the reporting date for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

31. DEBTORS, DEPOSITS AND PREPAYMENTS *(Continued)*

Ageing of debtors past due but not impaired

	2007	2006
	HK$'000	*HK$'000*
1 — 60 days	**2,703**	1,972
61 — 90 days	**954**	37
Over 90 days	**3,513**	1,848
	7,170	3,857

Included in the allowance for doubtful debts are individually impaired receivables due from certain trade debtors with an aggregate amount of HK$12,594,000 (2006: HK$11,070,000) which have either been placed under liquidation or are in financial difficulties. During the year, the Group has written off bad debts of HK$1,517,000 (2006: nil) which are in severe financial difficulties. The Group does not hold any collateral over these receivables.

Movement in the allowance for doubtful debts

	2007	2006
	HK$'000	*HK$'000*
Balance at beginning of the year	**11,070**	9,438
Exchange loss recognised during the year	**277**	30
Increase in allowance recognised in profit or loss	**1,247**	1,602
	12,594	11,070

32. AMOUNTS DUE FROM ASSOCIATES/JOINTLY CONTROLLED ENTITIES

The amounts due from associates and jointly controlled entities are unsecured, interest-free and recoverable on demand except for an advance to a jointly controlled entity of HK$3,650,000 (2006: nil) which carries interest at 1.75% plus one month Hong Kong Interbank Offered Rate ("HIBOR").

Included in Group's amounts due from jointly controlled entities, a carrying amount of HK$2,593,000 (2006: nil) is denominated in Renminbi that is the currency other than the functional currencies of the respective group entities.

33. HELD-FOR-TRADING INVESTMENTS

	2007	2006
	HK$'000	*HK$'000*
Held-for-trading investments at fair value		
Equity securities listed in Hong Kong	**122,688**	102,359
Equity securities quoted on OTCBB	**41**	108
	122,729	102,467

At 31st December, 2007, certain equity securities with market value of HK$41,400,000 (2006: HK$41,596,000) were pledged to a bank to secure general banking facilities granted to the Group.

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

34. PLEDGED BANK DEPOSITS, BANK BALANCES AND BANK OVERDRAFTS

Bank deposits of the Group amounting to HK$2,058,000 (2006: HK$6,692,000) were pledged to banks for the purpose of satisfying the terms and conditions of certain construction contracts entered into by the Group and securing the banking facilities granted to the Group. The pledged bank deposits carry interest at fixed rates ranging from 1.35% to 2.26% (2006: 2.16% to 2.23%) per annum.

Bank balances carry interest at average market rates ranging from 0.72% to 2.60% (2006: 2.27% to 2.63%) per annum.

Bank overdrafts carry interest at market rates which range from 8.25% to 9.25% (2006: nil) per annum.

Included in the Group's bank balances are bank balances with a carrying amount of HK$4,436,000 (2006: HK$6,320,000) which denominated in Renminbi, the currency other than the functional currencies of the respective group entities.

35. CREDITORS AND ACCRUED CHARGES

	2007 HK$'000	2006 HK$'000
Trade creditors (aged analysis):		
0 to 60 days	**57,664**	28,835
61 to 90 days	**5,085**	12,738
Over 90 days	**10,952**	16,766
	73,701	58,339
Retention payables	**32,852**	22,878
Accrued project costs	**100,043**	112,038
Other creditors and accrued charges	**77,168**	88,366
	283,764	281,621

The Group has financial risks management policies in place to ensure that all payables within the credit timeframe.

	2007 HK$'000	2006 HK$'000
Retention payables		
Due within one year	**19,723**	14,537
Due more than one year	**13,129**	8,341
	32,852	22,878

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

Included in the Group's other creditors and accrued charges are other creditors and accrued charges with a carrying amount of HK$2,739,000 (2006: HK$2,970,000) which denominated in Renminbi, the currency other than the functional currencies of the respective group entities.

36. AMOUNTS DUE TO JOINTLY CONTROLLED ENTITIES/ASSOCIATES/A RELATED COMPANY/MINORITY SHAREHOLDERS

The amounts due to jointly controlled entities, associates and minority shareholders are unsecured, interest-free and repayable on demand except for an advance from an associate of HK$3,500,000 (2006: HK$3,500,000) which carries interest at one month HIBOR.

The related company is a subsidiary of one of the Company's substantial shareholders. The amount is unsecured, carries interest at prime rate of 6.75% (2006: 7.75%) and is repayable on demand.

37. OTHER BORROWINGS

Other borrowings comprises:

	2007	2006
	HK$'000	*HK$'000*
Margin loan *(note a)*	**21,675**	—
Obligations under finance lease and sale and leaseback arrangement *(note b)*	**104**	26
	21,779	26
Less: Amount due within one year shown under current liabilities	**(21,697)**	(17)
Amount due after one year	**82**	9

37. OTHER BORROWINGS *(Continued)*

Notes:

(a) The margin loan is secured by certain shares of Road King, carries interest at prevailing market rates and is repayable on demand.

(b) The maturity of obligations under finance lease and sale and leaseback arrangement is as follows:

	Minimum lease payments		Present value of minimum lease payments	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**28**	18	**22**	17
In the second to fifth year inclusive	**89**	9	**82**	9
	117	27	**104**	26
Less: Future finance charges	**(13)**	(1)	**N/A**	N/A
Present value of lease obligations	**104**	26	**104**	26
Less: Amount due within one year shown under current liabilities			**(22)**	(17)
Amount due after one year			**82**	9

The lease terms range from 4.5 years to 5 years. Interest rates underlying all obligations under finance lease and sale and leaseback arrangement are fixed at respective contract dates ranging from 5.7% to 11.5% per annum for both years.

38. BANK LOANS

	2007	2006
	HK$'000	*HK$'000*
The maturity of the bank loans is as follows:		
Within one year	**298,189**	170,602
In the second year	**4,185**	36,294
In the third to fifth year inclusive	**32,209**	32,624
	334,583	239,520
Less: Amount due within one year shown under current liabilities	**(298,189)**	(170,602)
Amount due after one year	**36,394**	68,918
Secured	**97,348**	68,000
Unsecured	**237,235**	171,520
	334,583	239,520

At the balance sheet date, bank loans include HK$644,000 (2006: HK$ 13,000,000) fixed rate borrowings which carry interest at rates ranging from 8.52% to 9.39% (2006: 5.85% to 6.11%) per annum. The remaining bank loans are variable-rate borrowings which carry interest at rates ranging from 4.55% to 7.90% (2006: 5% to 10%) per annum. Interest is repricing every one, two, three or six months.

Included in Group's bank loans are bank loans with a carrying amount of HK$19,535,000 (2006: nil) which denominated in United States dollars that is the currency other than the functional currencies of the respective group entities.

During the year, in respect of bank loans with carrying amounts of HK$54,735,000 as at 31st December, 2007, Build King breached certain of the terms of the bank loans, which are primarily related to its debt-equity ratio. According to HKAS 1 "Presentation of financial statements", since the banks have not agreed to waive their right to demand immediate payment as at the balance sheet date, the non-current portion of the bank loans amounting to HK$32,480,000 have been classified as current liabilities in the consolidated balance sheet as at 31st December, 2007. Build King has subsequently obtained written consent from the banks to waive their rights to demand immediate repayment.

39. STRUCTURED BORROWING

	2007	2006
	HK$'000	*HK$'000*
Structured borrowing, classified as:		
Current	**12,480**	12,480
Non-current	**41,770**	60,789
	54,250	73,269

The structured borrowing contains embedded derivatives which are not closely related to the host contract, hence the entire combined contract was designated as at fair value through profit or loss upon initial recognition. The minimum amount repayable to the bank within one year is classified as current liability.

Major terms of the structured borrowing at 31st December, 2007 and 2006 are set out below:

Notional amount	**Upfront Payment**	**Maturity date**	**Terms**
US$80,000,000	US$8,000,000	4th October, 2011	Repay upfront payment by 10 half-yearly instalments: First half year: 2% per annum on notional amount Remaining 4 and half years: 8% minus (6% x N/M) per annum on notional amount

Where:

N = number of business days in the period for which Spread Rate > -0.05%
M = actual number of business days in the period

"Spread Rate" means 10 years US$-ISDA-Swap Rate minus 2 years US$-ISDA-Swap Rate

39. STRUCTURED BORROWING *(Continued)*

"10 years US$-ISDA-Swap Rate" means the rate for a reset date will be the rate for United States dollar swaps with a maturity of the designated maturity of 10 years, expressed as a percentage which appears on the Reuters Screen ISDAFIX1 Page as of 11:00 a.m. New York time on each business day.

"2 years US$-ISDA-Swap Rate" means the rate for a reset date will be the rate for United States dollar swaps with a maturity of the designated maturity of 2 years, expressed as a percentage which appears on the Reuters Screen ISDAFIX1 Page as of 11:00 a.m. New York time on each business day.

The entire combined contract is measured at fair value based on the valuation provided by the counterparty at 31st December, 2007. As at 31st December, 2007, change in its fair value as compared with the net amount of the upfront payment received less the repayment made was HK$4,330,000 (2006: HK$10,869,000). Decrease in fair value of HK$6,539,000 during the year has been credited to the consolidated income statement.

The structured borrowing is denominated in United States dollars that is the currency other than the functional currencies of the respective group entities.

40. DEFERRED TAX LIABILITIES

The following are the deferred tax liabilities recognised by the Group and movements thereon during the current and prior years:

	Fair value of Intangible Assets *HK$'000*	Accelerated Tax Depreciation *HK$'000*	Total *HK$'000*
At 1st January, 2006 and 31st December, 2006	5,750	—	5,750
Charge for the year *(note 16)*	—	171	171
At 31st December, 2007	5,750	171	5,921

40. DEFERRED TAX LIABILITIES *(Continued)*

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:

	2007	2006
	HK$'000	*HK$'000*
Tax losses to expire in:		
2007	**—**	4,452
2008	**4,894**	4,894
2009	**19,222**	19,222
2010	**15,906**	15,906
2011	**18,872**	18,872
2012	**10,867**	—
Carried forward indefinitely	**350,519**	286,720
	420,280	350,066

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

41. LOAN FROM A SHAREHOLDER

The amount is unsecured, carries interest at prime rate minus 0.5% per annum and is repayable by 21st February, 2010. The shareholder is also a director of the Company.

42. LOANS FROM MINORITY SHAREHOLDERS

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

43. AMOUNT DUE TO AN ASSOCIATE

The amount is unsecured, interest-free and has no fixed repayment terms. The associate has agreed not to demand repayment within twelve months from the balance sheet date and the balance is therefore shown as non-current liabilities.

The effective interest rate applied is 5.3% (2006: 5.4%) per annum.

44. 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.

45. SHARE CAPITAL

	Number of shares		**Share capital**	
	2007	2006	**2007**	2006
	'000	*'000*	***HK$'000***	*HK$'000*
Authorised:				
Ordinary shares of HK$0.10 each	**1,000,000**	1,000,000	**100,000**	100,000
Issued and fully paid:				
At beginning and end of the year	**793,124**	793,124	**79,312**	79,312

46. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes other borrowings, bank loans and structured borrowing disclosed in notes 37, 38 and 39 and equity attributable to equity holders of the Company, comprising issued capital and reserves.

The directors of the Company review the capital structure periodically. As a part of this review, the management of the Group assesses the annual budget prepared by the treasury department which reviews the planned construction projects proposed by engineering department and prepares the annual budget taking into account of the provision of funding. Based on the proposed annual budget, the management of the Group considers the cost of capital and the risks associated with each class of capital. The directors also balance its overall capital structure through payment of dividends, issue of new shares as well as raise of new debts or the redemption of existing debts.

The Group's overall strategy remains unchanged from prior year.

47. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2007 HK$'000	2006 HK$'000
Financial assets		
Held-for-trading investments	**122,729**	102,467
Loans and receivables (including cash and cash equivalents)	**382,890**	460,253
Available-for-sale financial assets	**—**	5,527
	505,619	568,247
Financial liabilities		
Amortised cost	**696,382**	583,802
Structured borrowing (see below)	**54,250**	73,269
	750,632	657,071

Structured borrowing (note)

	2007 HK$'000	2006 HK$'000
Difference between carrying amount and outstanding principal amount		
At fair value	**54,250**	73,269
Outstanding principal at balance sheet date	**(49,920)**	(62,400)
	4,330	10,869

Note: The change in fair value was mainly due to change in market risk factors. The fair value was provided by the counterparty holding credit risk margin constant. The fair value attributable to change in its credit risk is considered minimal.

47. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies

The Group's major financial instruments include debtors, equity investments, pledged bank deposits and bank balances, creditors, bank and other borrowings and amounts due from (to) associates, jointly controlled entities, a related company and minority shareholders, and loans from a shareholder and minority shareholders. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure that appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

Certain other debtors, bank balances, creditors, bank loans and structured borrowing are denominated in foreign currencies which are different from the functional currency of the Group (i.e. Hong Kong dollars) and therefore the Group is exposed to currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currencies should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the reporting dates are as follows:

	Assets		**Liabilities**	
	2007	2006	**2007**	2006
	HK$	*HK$*	***HK$***	*HK$*
United States dollars	**—**	—	**73,785**	73,269
Renminbi	**7,099**	9,750	**2,739**	2,970

47. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(i) Currency risk (Continued)

Sensitivity analysis

The Group is mainly exposed to the currencies of United States dollars and Renminbi.

The following table details the Group's sensitivity to a 2% and 6% increase and decrease in Hong Kong dollars against the United States dollars and Renminbi respectively. 2% and 6% are the sensitivity rates used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 2% and 6% change in foreign currency rates. A positive number of the net impact indicates an increase in profit where Hong Kong dollars strengthen against the relevant currencies. For a 2% and 6% weakening of Hong Kong dollars against the relevant currencies, there would be an equal and opposite impact on the profit, and the net impact below would be negative.

	Profit (loss)	
	2007	2006
	HK$'000	*HK$'000*
United States dollars *(i)*	**1,447**	1,437
Renminbi	**(247)**	(384)
Net impact	**1,200**	1,053

(i) This is mainly attributable to the exposure outstanding on structured borrowing not subject to cash flow hedges at year end.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

47. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(ii) Interest rate risk

The Group's fair value interest rate risk relates primarily to fixed-rate bank borrowings which exposed the Group to fair value interest rate risk. However, management considers that the fair value interest rate risk is minimal as the amount of fixed-rate bank borrowings is immaterial.

In respect of the structured borrowing, the repayment amounts are based on the spread rates between 10 years US$-ISDA-Swap Rate and 2 years US$-ISDA-Swap Rate, the entire borrowing is designated as fair value through profit or loss as disclosed in note 39. Other than the structured borrowing, variable-rate bank and other borrowings also expose the Group to cash flow interest rate risk (see notes 37 and 38). Majority of the bank borrowings are at variable-rate and determined by reference to the prevailing market rate.

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposures to interest rates for both derivatives and non-derivative instruments at the balance sheet date.

For variable-rate bank and other borrowings, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

47. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(ii) Interest rate risk (Continued)

Sensitivity analysis *(Continued)*

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31st December, 2007 would decrease/increase by HK$3,912,000 (2006: decrease/increase by HK$2,300,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank and other borrowings.

For structure borrowing, the number of business days in the period for which Spread Rate > -0.05% is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If 7 (2006: 7) of business days more in the period for which Spread Rate > -0.05% and all other variables were held constant, the Group's profit for the year ended 31st December, 2007 would decrease by HK$5,533,000 (2006: decrease by HK$6,482,000). This is mainly attributable to the Group's exposure to interest rates on its structured borrowing.

The Group's sensitivity to interest rates has increased during the current year mainly due to the increase in variable rate borrowings.

47. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(iii) Other price risk

The Group is exposed to equity security price risk through its investments in listed-held-for-trading investments. Management manages this exposure by maintaining a portfolio of investments with different risk profiles.

Other price sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date.

If the prices of the respective equity instruments had been 5% higher/lower while all other variables were held constant, profit for the year ended 31st December, 2007 would increase/decrease by HK$6,136,000 (2006: increase/decrease by HK$5,123,000) as a result of the changes in fair value of held-for-trading investments.

The other price sensitivity analysis above represents the exposure of the held-for-trading investments at the year end only. It may not be representative of the exposure for the year.

The Group's sensitivity to available-for-sale investments has not changed significantly from 2006.

47. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk

As at 31st December, 2007, the Group's maximum exposure to credit risk will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arising from the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet. The Group's credit risk is primarily attributable to its trade debtors. The Group is exposed to concentration of credit risk as a substantial portion of its trade debtors is generated from a limited number of customers.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk for bank deposits is limited because the counterparties are banks or financial institutions with high credit ratings.

47. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. As at 31st December, 2007, the Group has available unutilised bank and other borrowings of approximately HK$71,549,000 (2006: HK$147,407,000) and HK$28,325,000 (2006: nil) respectively.

Liquidity and interest risk tables

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The total undiscounted cash flows column includes both interest and principal cash flows.

	Weighted average effective interest rate	Repayable on demand or 3 months or less	4-6 months	7-12 months	2-3 years	Over 3 years	Total undiscounted cash flows	Carrying amount at 31.12.2007
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2007								
Non-interest bearing		267,026	1,773	5,860	17,053	22,098	313,810	303,959
Fixed interest rate instruments	12.91	55	55	110	418	90	728	644
Variable interest rate instruments	5.02	317,132	4,993	8,831	68,260	2,320	401,536	391,675
Obligation under finance lease	5.70	7	7	14	54	35	117	104
Structured borrowing		–	6,240	6,240	24,960	12,480	49,920	54,250
		584,220	13,068	21,055	110,745	37,023	766,111	750,632

47. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

Liquidity and interest risk tables (Continued)

	Weighted average effective interest rate	Repayable on demand or 3 months or less	4-6 months	7-12 months	2-3 years	Over 3 years	Total undiscounted cash flows	Carrying amount at 31.12.2006
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2006								
Non-interest bearing		300,487	2,732	236	11,527	23,941	338,923	328,500
Fixed interest rate instruments	5.70	182	183	13,138	—	—	13,503	13,000
Variable interest rate instruments	5.86	152,846	10,872	12,063	49,385	24,185	249,351	242,276
Obligation under finance lease	5.60	4	5	9	9	—	27	26
Structured borrowing		—	6,240	6,240	24,960	24,960	62,400	73,269
		453,519	20,032	31,686	85,881	73,086	664,204	657,071

(c) Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and ask prices respectively;

- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using the relevant prevailing market rate; and

- the fair value of financial liabilities at fair value through profit or loss is estimated with reference to the value quoted by the bank.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values.

48. SHARE OPTION SCHEME

A share option scheme (the "Share Option Scheme") was adopted by the Company at the annual general meeting held on 18th September, 2002 to comply with Chapter 17 of the Listing Rules.

The purpose of the Share Option Scheme is to enable the Company to grant options to selected participants as incentives or rewards for their contribution to the Company and/or its subsidiaries. The participants include any full-time employees, executives or officers and directors (executive and non-executive directors) of the Company and/or any of its subsidiaries.

Under the Share Option Scheme and any other schemes of the Company, the total number of shares which may be issued must not in aggregate exceed 10% (the "10% Limit") of the shares in issue as at the date of adoption of the Share Option Scheme less the aggregate of exercised, cancelled and outstanding options. The 10% Limit may be refreshed with the approval of shareholders of the Company. The maximum number of shares may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes must not exceed 30% of the shares in issue from time to time. The total number of shares issued and to be issued upon exercise of the options granted to each participant (including exercised, cancelled and outstanding options) in any 12-month period must not exceed 1% of the shares in issue unless the same is approved by shareholders of the Company.

The option period commences on the first anniversary of the commencement date (the date upon which the options are deemed to be granted and accepted) of such options and ends on the fourth anniversary of the commencement date. The option must be held by the participant for a year before it can be exercised. Each participant must pay HK$1 as consideration for the grant of option within 30 days from the date of offer.

The exercise price shall be determined by the directors of the Company, being not less than the highest of (a) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of offer; (b) the average of the official closing prices of the shares stated in the Stock Exchange's daily quotation sheets for the 5 business days immediately preceding the date of offer; and (c) the nominal value of the shares.

The Share Option Scheme shall be valid and effective for a period of 10 years commencing on the adoption date, i.e. 18th September, 2002.

48. SHARE OPTION SCHEME *(Continued)*

During the year, 6,160,000 (2006: nil) share options were granted under the Share Option Scheme to directors and employees for an aggregate consideration of HK$34 (2006: nil). The estimated fair value of the options granted during the year is HK$3,585,000 (2006: nil). The average fair values were calculated using the Binomial Model. The inputs into the model were as follows:

Share price on the date of grant	HK$3.33
Exercise price	HK$3.39
Expected volatility	26.23% p.a.
Average expected life	2.43 years
Average risk-free rate	4.50%
Expected dividend yield	3.42%

The expected volatility was determined by using the historical volatility of the Company's share price over the previous year. The expected life used in the model has been adjusted based on management's best estimate, for the effects of non transferability, exercise restrictive and behavioral considerations.

The Group recognised this fair value over the vesting period as expense for the year ended 31st December, 2007.

48. SHARE OPTION SCHEME *(Continued)*

The following table discloses details of the Company's shares options held by the employees (including directors) under the Share Option Scheme and movements in such holdings.

			Number of share options			
Date of grant	Exercisable period	Exercise price per share	Outstanding at 1st January, 2007	Granted during the year	Lapsed during the year	Outstanding at 31st December, 2007
		HK$				
Directors:						
9th July, 2007	9th July, 2008 to 8th July, 2011	3.39	—	4,620,000	—	4,620,000
Employees:						
9th July, 2007	9th July, 2008 to 8th July, 2011	3.39	—	1,540,000	(150,000)	1,390,000
			—	6,160,000	(150,000)	6,010,000
Number of share options exercisable at the end of the year						—

49. COMMITMENTS

(a) Joint venture commitments

At 31st December, 2006, the Group had committed to increase investment of approximately HK$11,952,000 in a joint venture established in the PRC. The joint venture is principally engaged in civil engineering activities in the PRC. This commitment is fully satisfied during the year in 2007.

49. COMMITMENTS *(Continued)*

(b) Operating lease commitments

Lessor

At 31st December, 2007, the Group leased the Group's properties and contracted with tenants for the following future minimum lease payments:

	2007	2006
	HK$'000	*HK$'000*
Within one year	**64**	390
In the second to fifth year inclusive	**—**	10
	64	400

Lessee

At 31st December, 2007, 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:

	2007	2006
	HK$'000	*HK$'000*
Within one year	**3,576**	5,599
In the second to fifth year inclusive	**323**	2,755
	3,899	8,354

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.

50. TENDER/PERFORMANCE/RETENTION BONDS

	2007	2006
	HK$'000	HK$'000
Outstanding amounts for construction contracts	122,190	66,868

51. MAJOR NON-CASH TRANSACTION

During the year ended 31st December, 2006, the repayment of other borrowings amounting to HK$28,302,000 was by way of a disposal of the Group's certain available-for-sale investments for a consideration of HK$28,302,000.

52. RETIREMENT BENEFITS SCHEMES

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 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 employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the government. The subsidiaries are required to contribute a fixed percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligations of the Group with respect to the retirement scheme is to make the specified contributions.

The amount charged to the consolidated income statement of HK$11,585,000 (2006: HK$9,797,000) represents the aggregate retirement benefit scheme contributions for the Group's employees, net of forfeited contributions.

53. STAFF SHARE PURCHASING SCHEME

On 15th March, 2004, the Company adopted the staff share purchasing scheme (the "Staff Share Purchasing Scheme"). Pursuant to which the Company through its wholly owned subsidiary might grant the purchase rights (the "Purchase Rights") to the eligible participants (the "Eligible Participants") being any employee, executive or officer of the members of the Group and Kaden Construction Limited ("Kaden"), a subsidiary of the Group, to purchase shares in the share capital of Build King ("Build King Shares") at the purchase price of HK$0.006 per share from the Company subject to the completion (the "Completion") of the restructuring proposal of Build King.

The purpose of the Staff Share Purchasing Scheme was to provide incentive to employees, executives or officers of the members of the Group and Kaden whose contributions would be of paramount importance to the success of the Company, Build King and their subsidiaries as a result of their efforts after the Completion. The principal terms of the Staff Share Purchasing Scheme were disclosed in the Company's announcement dated 15th March, 2004.

Upon the Completion on 23rd April, 2004, the Purchase Rights for the acquisition of 1,063,160,000 Build King Shares, of which 705,320,000 Build King Shares granted to the directors of the members of the Group and 357,840,000 Build King Shares been granted to other Eligible Participants, had been granted by the Company for an aggregate consideration of HK$430.

At the special general meeting of Build King held on 23rd July, 2004, approval had been obtained from the shareholders of Build King in respect of share consolidation (on the basis that every ten shares of HK$0.01 each in the issued and unissued share capital of Build King were consolidated into one share of HK$0.10 each ("New Build King Shares"). Accordingly, the Purchase Rights for the acquisition of the shares in Build King had been adjusted from 1,063,160,000 Build King Shares at the purchase price of HK$0.006 per share to 106,316,000 New Build King Shares at the purchase price of HK$0.06 per share.

During the year ended 31st December, 2006, 41,334,000 New Build King Shares were delivered to the Eligible Participants. Since then, no Purchase Rights granted under the Staff Share Purchasing Scheme remained outstanding.

The above scheme is exempted from HKFRS 2 as all the Purchase Rights had been granted and vested before 1st January, 2005.

54. RELATED PARTY TRANSACTIONS

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

	Associates		Jointly controlled entities		Shareholder		Related company	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Secretarial and management service income	**1,800**	850	**–**	—	**–**	—	**–**	—
Interest income	**2,341**	—	**164**	—	**–**	—	**–**	—
Interest expense	**141**	158	**–**	—	**26**	—	**452**	814

The amounts due from/to related parties are set out in the consolidated balance sheet and respective notes.

Compensation of key management personnel

	2007	2006
	HK$'000	*HK$'000*
Short-term employee benefits	**26,370**	17,787
Post-employment benefits	**1,744**	1,043
Share-based payments	**844**	—
	28,958	18,830

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

55. PRINCIPAL SUBSIDIARIES

Name of subsidiary	Place of incorporation or registration/ operation	Issued and fully paid ordinary share capital/ registered capital*	Proportion of nominal value of issued capital/ attributable interest held by the Group %	Principal activities
Build King Holdings Limited *(note a)*	Bermuda	HK$82,140,849	55.58	Investment holding, engaged in civil engineering works
Hubei Nature's Favour Biotechnology Company Limited *(note d)*	PRC	RMB17,500,000*	91	Bio-technology
Hsin Lung Construction Company Limited	Taiwan	NTD175,000,000	55.58	Civil engineering
Kaden Construction Limited	United Kingdom/ Hong Kong	GBP8,400,000	55.58	Construction and civil engineering
Leader Civil Engineering Corporation Limited	Hong Kong	HK$25,200,000 Ordinary shares	55.58	Civil engineering
		HK$24,000,000 Non-voting deferred shares	55.58	
Leader Marine Contractors Limited	Hong Kong	HK$200,000	55.58	Marine engineering and provision of transportation services
Leader Marine L.L.C.	Sharjah, United Arab Emirates	Dh300,000	55.58	Ships and boats rental and shipping services
Shengsi Dayangshan Quarry Co., Ltd. *(note c)*	PRC	US$5,100,000*	100	Production of construction materials
Wai Hing Quarries (China) Limited	Hong Kong	HK$2 Ordinary shares	100	Production of construction materials
		HK$1,200,000 Non-voting deferred shares	100	
Wai Kee Biotechnical Company Limited	British Virgin Islands	US$1	100	Investment holding
Wai Kee China Construction Company Limited	Hong Kong	HK$10,000,000	55.58	Civil engineering

55. PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation or registration/ operation	Issued and fully paid ordinary share capital/ registered capital*	Proportion of nominal value of issued capital/ attributable interest held by the Group %	Principal activities
Wai Kee Quarry Asia Limited	Hong Kong	HK$2	100	Investment holding
Wai Kee (Zens) Construction & Transportation Company Limited	Hong Kong	HK$2 Ordinary shares	55.58	Civil engineering
		HK$14,800,000 Non-voting deferred shares	55.58	
		HK$5,200,000 Non-voting deferred shares *(note b)*	—	
Wai Kee (Zens) Holding Limited	British Virgin Islands	US$50,000	100	Investment holding
Wuhan Nature's Favour Bioengineering Company Limited *(note d)*	PRC	RMB20,000,000*	91	Bio-technology
Wuxi Qianhui Sewage Treatment Co., Ltd. *(note d)*	PRC	US$5,400,000	53.13	Sewage treatment
Zhuhai Guishan Seawall Construction Company *(note d)*	PRC	HK$21,000,000*	80	Seawall construction and production of construction materials
惠記環保工程（上海）有限公司 *(note c)*	PRC	US$800,000	55.58	Environmental engineering

Notes:

(a) The company's shares are listed on the Main Board of the Stock Exchange.

(b) 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 such company. On winding up, the holders of the deferred shares are entitled to a distribution out of the remaining assets of such company only after the distribution of substantial amounts as specified in the Articles of Associations to holders of ordinary shares of such company.

(c) The companies are foreign owned enterprises registered in the PRC.

(d) The companies are co-operative joint ventures registered in the PRC.

55. PRINCIPAL SUBSIDIARIES *(Continued)*

Except for Wai Kee (Zens) Holding Limited, all subsidiaries are indirectly held by the Company.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affect the results of the year or constituted 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.

56. SUMMARISED BALANCE SHEET OF THE COMPANY

	2007	2006
	HK$'000	*HK$'000*
Investment in subsidiaries	**123,915**	123,915
Amounts due from subsidiaries	**1,988,253**	1,878,207
Other current assets	**30,984**	5,212
Amounts due to subsidiaries	**(678,367)**	(571,145)
Other current liabilities	**(887)**	(30,306)
Bank loans	**(236,750)**	(127,650)
Loan from a shareholder	**(30,000)**	—
	1,197,148	1,278,233
Share capital	**79,312**	79,312
Reserves	**1,117,836**	1,198,921
	1,197,148	1,278,233

RESULTS

	Year ended 31st December,				
	2003 *HK$'000*	2004 *HK$'000*	2005 *HK$'000*	2006 *HK$'000*	**2007** ***HK$'000***
Group revenue	767,906	508,029	595,306	678,236	**873,090**
Share of revenue of jointly controlled entities	566,500	363,640	151,407	383,525	**486,452**
Group revenue and share of revenue of jointly controlled entities	1,334,406	871,669	746,713	1,061,761	**1,359,542**
Operating profit (loss)	(47,337)	313,540	(66,901)	(47,020)	**(13,743)**
Finance costs	(15,689)	(1,526)	(5,136)	(10,811)	**(21,657)**
Share of results of associates less goodwill amortised	143,875	162,870	202,916	285,050	**319,874**
Share of results of jointly controlled entities	81,160	171,617	63,451	26,860	**29,045**
Discount on acquisition of additional interest in an associate	—	—	24,113	1,323	**—**
Negative goodwill released to income	—	3,181	—	—	**—**
Negative goodwill of an associate released to income	3,758	9,698	—	—	**—**
Net gain (loss) on deemed disposals of partial interest in an associate	(27,022)	(6,964)	(7,516)	36,085	**23,159**
Profit before tax	138,745	652,416	210,927	291,487	**336,678**
Income tax credit (expense)	(4,733)	(19,770)	35	(25,948)	**(6,834)**
Profit for the year	134,012	632,646	210,962	265,539	**329,844**
Attributable to:					
Equity holders of the Company	125,327	608,832	199,891	262,615	**326,095**
Minority interests	8,685	23,814	11,071	2,924	**3,749**
Profit for the year	134,012	632,646	210,962	265,539	**329,844**

FINANCIAL POSITION

	At 31st December,				
	2003	2004	2005	2006	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Total assets	2,645,496	2,888,419	3,122,869	3,602,188	**4,138,596**
Total liabilities	(571,751)	(371,731)	(450,668)	(701,143)	**(817,882)**
	2,073,745	2,516,688	2,672,201	2,901,045	**3,320,714**
Equity attributable to equity holders of the Company	2,069,193	2,472,103	2,609,812	2,833,449	**3,249,160**
Minority interests	4,552	44,585	62,389	67,596	**71,554**
	2,073,745	2,516,688	2,672,201	2,901,045	**3,320,714**

EXECUTIVE DIRECTORS

ZEN Wei Pao, William *(Chairman)*
ZEN Wei Peu, Derek *(Vice Chairman)*
WONG Wing Cheung, Dennis *(Finance Director)*
CHIU Wai Yee, Anriena

NON-EXECUTIVE DIRECTORS

LAM Wai Hon, Patrick
CHU Tat Chi
CHENG Chi Pang, Leslie

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

AUDITOR

Deloitte Touche Tohmatsu

SOLICITORS

Richards Butler in association with Reed Smith LLP
Sidley Austin Brown & Wood
Conyers, Dill & Pearman

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
CITIC Ka Wah Bank Limited
The Bank of East Asia, Limited
Hang Seng Bank Limited

QUALIFIED ACCOUNTANT

WONG Wing Cheung, Dennis

COMPANY SECRETARY

CHIU Wai Yee, Anriena

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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26th Floor, Tesbury Centre
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STOCK CODE

The Stock Exchange of Hong Kong Limited – 610