



Wai Kee Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 610)



Highway

Quarry

Construction

Bio-Technology

Properties

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Interim Results Highlights

The board of directors (the "Board") of Wai Kee Holdings Limited (the "Company") announces the interim results of the Company and its subsidiaries (the "Group") for the six months ended 30th June, 2008.

FINANCIAL PERFORMANCE HIGHLIGHTS

Group revenue and share of revenue of jointly controlled entities	HK\$482 million
Profit attributable to equity holders	HK\$130 million
Basic earnings per share	HK16.38 cents
Equity attributable to equity holders per share	HK\$4.45

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30th June, 2008 (six months ended 30th June, 2007: HK6 cents per ordinary share).

BUSINESS REVIEW

The Group's unaudited revenue for the six months ended 30th June, 2008 was HK\$368 million (2007: HK\$446 million restated) and HK\$482 million (2007: HK\$615 million restated) if including revenue of jointly controlled entities shared by the Group, generating an unaudited consolidated profit attributable to equity holders of HK\$130 million (2007: HK\$151 million restated), a decrease of 14% as compared with that of 2007.

Highway and Expressway Operations and Property Development

Road King Infrastructure Limited ("Road King"), an associate of the Group, contributed a profit of HK\$175 million to the Group for the six months ended 30th June, 2008 (2007: HK\$145 million). During the period, Road King issued new shares upon exercise of options granted to its 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 loss on deemed disposals of partial interest in Road King of HK\$0.1 million (2007: net gain of HK\$27 million). As of the date of this report, the Group holds 37.6% interest in Road King.

With respect to the property development, in addition to the contribution from Road King, the profit contributed from the direct shareholding in Sunco Property Holdings Company Limited ("Sunco Property") for the period was HK\$5 million. As of the date of this report, the Group directly holds 5.28% interest in Sunco Property in addition to the effective interest of 33.3% held through Road King.

For the six months ended 30th June, 2008, Road King recorded an unaudited profit attributable to equity holders of HK\$464 million (2007: HK\$310 million), an increase of 50% as compared with that in the corresponding period of 2007.

For the first half of 2008, total traffic volume and revenue of toll road projects were 63 million vehicles and RMB1.295 billion respectively. Cash contributed to Road King from its toll road business amounted to HK\$510 million. Compared to the same period of 2007, toll revenue increased by 18%, of which, total traffic volume and revenue of expressway projects raised by 14% and 40% respectively.

BUSINESS REVIEW (Cont'd)

Highway and Expressway Operations and Property Development (Cont'd)

In line with Road King's long term development strategy, Road King entered into an agreement in July 2008 to dispose of its entire interest in a Class I highway located in Guangdong.

For the six months ended 30th June, 2008, revenue and total GFA delivered from property development were HK\$3.102 billion and 479,000 sqm respectively. Total pre-sales were HK\$1.171 billion or 178,000 sqm in GFA during the period. The overall performance was however affected by unfavourable market factors and only a thin profit was recorded.

As disclosed in Road King's announcement dated 30th July, 2008, Road King has not yet secured effective management control of the Tianjin Companies. Road King has initiated litigation proceedings against the former management team of the Tianjin Companies. The proceedings have been suspended by the Tianjin Nankai District People's Court. Having received PRC legal advice on the matter, Road King is taking steps in the effective continuation of the litigation proceedings as early as possible.

In April 2008, the Hong Kong court consolidated the two sets of litigation proceedings in Hong Kong initiated by Road King and a third party (collectively the "Plaintiffs") against three former major shareholders of Sunco Property, and that by two of them against the Plaintiffs. The litigation is still at an early stage. Road King will continue to pursue its claims diligently.

Road King has considered alternative means of seeking appropriate early resolution. Road King has engaged in discussions initiated by the former major shareholders of Sunco Property. No resolution has been reached yet as Road King considers that it is not in its interest to accede to unreasonable settlement demands.

BUSINESS REVIEW (Cont'd)

Civil Construction

The Group's construction sector, Build King Holdings Limited ("Build King") recorded revenue and share of revenue of jointly controlled entities of HK\$465 million (2007: HK\$589 million restated) for the six months ended 30th June, 2008. Build King recorded loss of HK\$30 million (2007: profit of HK\$27 million restated) for the six months ended 30th June, 2008, of which the construction business and investment in Hong Kong listed securities recorded loss of HK\$17 million and HK\$13 million respectively. Group's share of its loss was HK\$17 million (2007: profit of HK\$15 million restated). As of the date of this report, the Group owns 55.58% interest in Build King.

As the tight market conditions in Hong Kong continue, Build King does not expect any significant work to flow through to contractors until second half of 2009. Build King is in the process of implementing tight cost control measures. Furthermore, it has adopted a very cautious strategy in tendering for new projects, particularly focuses will be put on reasonable profit margins and positive cashflows. During the first half of 2008, Build King secured several new contracts with total value over HK\$180 million from both public and private clients.

The Wuxi Qianhui Sewage Treatment Plant has achieved the planned average daily throughput volume. The volume treated has gradually increased with connections being made to more industrial customers. With technical support from Hong Kong Polytechnic University, the plant operation has been improved and operating costs were under control. The guaranteed income has been honoured by the local government in accordance with an agreement. Build King is confident that this investment will provide a steady and reasonable return.

The two civil engineering projects undertaken by joint venture company, China Railway Tenth Group Third Engineering Co., Ltd., are progressing to completion satisfactorily. The management team of the joint venture company has been strengthened and is actively searching for new opportunities in the PRC. It will serve as a platform for Build King to develop in the environmental market by investment in projects in a build-operate-transfer and similar formats.

BUSINESS REVIEW (Cont'd)

Civil Construction (Cont'd)

In Middle East, the ongoing joint venture with Arabian Construction Company is building up its order book currently with value contract in hand of HK\$450 million. The jetty project was successfully completed. In late December 2007, the joint venture secured a significant contract to supply and install cooling water intakes and construct shore protection work at Fujairah Power Plant Phase II with a contract sum over HK\$250 million. Two more projects have also been secured at Fujairah Power Plant Phase II. In Abu Dhabi, the joint venture won a small reclamation and seawall project which is due for completion before end of this year.

Build King is now being recognised as a player in the marine civil engineering sector and has a good reputation. Enquiries levels are increasing. As a result, Build King will devote more staff to this market from Hong Kong. In addition, it will also increase its marine plant fleet by sending more vessels from Hong Kong. Build King will primarily aim at upholding its quality of services as well as to develop its business in an orderly manner.

In Taiwan, the dredging and construction of seawalls and drainage in Kinmen County encountered some delay due to the collapse of a major subcontractor and a lack of local resources. Steps are being taken to recover the situation and to ensure satisfactory completion.

As of the date of this report, Build King has contracts on hand of about HK\$4.9 billion, of which about HK\$1.6 billion has yet to be completed.

Quarrying

For the six months ended 30th June, 2008, the revenue of the quarrying division was HK\$17 million (2007: HK\$19 million). Despite lower construction and housing activities in Hong Kong couple with high fuel, labour and material costs in the PRC, the quarrying division recorded a net profit of HK\$3 million for the six months ended 30th June, 2008 (2007: HK\$2 million).

Though the Government announced substantially increasing investment into infrastructure, there is no sign of any significant progress in the construction in 2008. It is not anticipated any significant improvement in sales and profit margin to the quarry division in 2008. The division will focus on cost control measures and wait for the market recovery.

BUSINESS REVIEW (Cont'd)

Bio-technology

It is a normal practice of the pesticide industry in the PRC that the buyers are allowed to return the unconsumed goods ordered and delivered to them after completion of the pesticide application period in the third quarter each year. Following the prudent approach adopted in the past years that no sales revenue will be recognized until the net sales after goods return will have been confirmed with individual customers after completion of the pesticide application period in the second half year, the bio-technology division did not record any revenue for the six months ended 30th June, 2008 (2007: nil). Due to no gross profit contributed from sales revenue during the period, the division recorded a loss of HK\$7 million for the period (2007: HK\$7 million), which mainly comprised of research and development expenses in refining existing products and developing new products, finance costs incurred as well as fixed overhead costs.

In the first half of the year, the bio-technology division recorded amount of goods ordered and delivered to the customers of about HK\$31 million, which is 14% increase as compared with that of 2007. Significant portion of the goods ordered and delivered is expected to be recognized as sales revenue and then contribute gross profit in the second half of 2008. During the period under review, the Group has continued applying various measures including stringent cost control and refined product mix to improve the performance of the division. While the division has recorded moderate growth in the amount of goods delivered to customers despite the negative effects caused by certain natural disasters occurred in mainland China during the period under review, the management anticipates this year would still be a challenging year for the division in view of the increased raw material cost and other operating cost.

North American Ginseng

For the six months ended 30th June, 2008, revenue of Chai-Na-Ta Corp. ("CNT"), an associate of the Group in Canada, was C\$6.7 million (2007: C\$5.3 million) with a loss of C\$0.6 million (2007: C\$1.8 million). The Group held 38.1% interest in CNT and shared its loss of about HK\$2 million (2007: HK\$5 million).

BUSINESS REVIEW (Cont'd)

North American Ginseng (Cont'd)

All ginseng harvested by CNT in 2007 was committed to its customers. The ginseng market is very weak in the PRC and the prices remain at low levels in the first six months. The market is currently in oversupply situation. Although management of CNT is on track with efforts to reduce operating and overhead costs, the improvement of the bottom line is remote.

As stated in 2007 Annual Report, the Group does not intend to put any extra financial resources into this operation and still holds the view of putting CNT on observation list.

FUTURE OUTLOOK

The Board is cautiously optimistic in the businesses of the Group in the long term.

While the construction market in Hong Kong is expecting recovery in the second half of 2009, the contracting business is facing a very competitive environment until the major new infrastructure projects contemplated are released. The rising raw material and labour costs will affect the performance of the Group. The Group will continue to exercise strict cost control measures.

There are concern the general economic environment may slow down in Hong Kong and in mainland China in second half of 2008. In light of the uncertain general market environment, the Group will exercise prudent and cautious control in its existing businesses and for any new investment opportunities in order to retain financial resources to meet the challenges ahead.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30th June, 2008, the Group had net current liabilities of HK\$120 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 period, total borrowings were decreased from HK\$443 million to HK\$399 million with the maturity profile summarised as follows:

	As at	
	30th June, 2008	31st December, 2007
	HK\$' million	<i>HK\$' million</i>
Within one year	342	335
In the second year	17	17
In the third to fifth year inclusive	40	91
	399	443

Included in the total borrowings, there was a contract of a structured borrowing with a bank that was designated as financial liabilities at fair value through profit or loss. The entire combined contract is measured at fair value as quoted by the bank and change in its fair value of HK\$12 million between the balance sheet dates has been charged to the consolidated income statement for the current period. In addition, there was a margin loan of HK\$17 million secured by certain Road King shares. During the period, the Group had no significant borrowings at fixed interest rate and had no financial instrument for hedging purpose.

As at 30th June, 2008, the Group's cash and bank balances amounted to HK\$62 million (as at 31st December, 2007: HK\$88 million), of which bank deposits amounting to HK\$0.02 million (as at 31st December, 2007: HK\$2 million) were pledged to banks for securing the banking facilities granted to the Group.

The Group recorded finance expenses for the six months ended 30th June, 2008 of HK\$8 million (for the six months ended 30th June, 2007: HK\$10 million).

LIQUIDITY AND FINANCIAL RESOURCES (Cont'd)

As at 30th June, 2008, held-for-trading investments were stated at their fair values in a total amount of HK\$95 million (as at 31st December, 2007: HK\$123 million), majority of which were equity securities listed in Hong Kong. Certain equity securities with market value of HK\$26 million (as at 31st December, 2007: HK\$41 million) were pledged to a bank to secure general banking facilities granted to the Group. For the six months ended 30th June, 2008, the Group recorded a net loss (in consideration of change in fair value and dividend income received) of HK\$10 million (for the six months ended 30th June, 2007: a net gain of HK\$60 million) from these investments, of which, loss of HK\$13 million (for the six months ended 30th June, 2007: gain of HK\$46 million) was derived from the securities invested by Build King.

The Group's borrowings, investments and cash balances were principally denominated in Hong Kong dollars, Renminbi and US dollars. Hence, there is no significant exposure to foreign exchange rate fluctuations.

CAPITAL STRUCTURE AND GEARING RATIO

As at 30th June, 2008, the equity attributable to equity holders amounted to HK\$3,532 million, representing HK\$4.45 per share (as at 31st December, 2007: HK\$3,253 million restated, representing HK\$4.10 per share). Increase in equity attributable to equity holders was mainly attributable to the profit generated in the period after deduction of dividends paid during the period.

The net gearing ratio, being the ratio of net borrowings (total borrowings less cash and bank balances) to equity attributable to equity holders was 9.5% (as at 31st December, 2007: 10.9%) at the balance sheet date.

PLEDGE OF ASSETS

As at 30th June, 2008, apart from the bank deposits pledged to banks for securing the banking facilities granted to the Group, and certain equity securities pledged to a bank to secure general banking facilities granted to the Group, no other asset was pledged by the Group.

TENDER/PERFORMANCE/RETENTION BONDS

As at 30th June, 2008, the Group had outstanding tender/performance/retention bonds for construction contracts amounting to HK\$138 million (as at 31st December, 2007: HK\$122 million).

DIRECTORS' INTERESTS AND SHORT POSITIONS

As at 30th June, 2008, the interests and short positions of the Directors of the Company in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which are required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or were required to be entered in the register maintained by the Company pursuant to section 352 of the SFO or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange were as follows:

(I) The Company

Interests in shares

Name of Director	Capacity/ Nature of interest	Number of shares held		Percentage of the issued ordinary share capital (%)
		Long position	Short position	
Zen Wei Pao, William	Personal	192,381,843 (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

DIRECTORS' INTERESTS AND SHORT POSITIONS (Cont'd)

(I) The Company (Cont'd)

Interests in shares (Cont'd)

Notes:

1. Long position in the shares (other than pursuant to equity derivatives such as share options, warrants to subscribe or convertible bonds).
2. 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.

(II) Associated Corporations

Interests in shares

Name of Director	Name of company	Capacity/ Nature of interest	Number of shares held		Percentage of the issued ordinary share capital (%)
			Long position	Short position	
Zen Wei Pao, William	Build King Holdings Limited	Personal	1,400,000 (Note 1)	—	0.17 (Note 3)
	Road King Infrastructure Limited	Personal Personal	500,000 (Note 1) 6,000,000 (Note 2)	— —	0.07 (Note 4) 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

DIRECTORS' INTERESTS AND SHORT POSITIONS (Cont'd)

(II) Associated Corporations (Cont'd)

Interests in shares (Cont'd)

Name of Director	Name of company	Capacity/ Nature of interest	Number of shares held		Percentage of the issued ordinary share capital (%)
			Long position	Short position	
Zen Wei Peu, Derek	Build King Holdings Limited	Personal	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 Personal	5,786,000 (Note 1) 2,300,000 (Note 2)	— —	0.77 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 (Cont'd)

(II) Associated Corporations (Cont'd)

Interests in shares (Cont'd)

Name of Director	Name of company	Capacity/ Nature of interest	Number of shares held		Percentage of the issued ordinary share capital (%)
			Long position	Short position	
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 Personal	105,000 (Note 1) 605,000 (Note 2)	— —	0.01 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 30th June, 2008, the issued share capital of Build King was 821,408,494 shares. Accordingly, the percentage has been adjusted.
4. As at 30th June, 2008, the issued share capital of Road King was 752,686,566 shares. Accordingly, the percentage has been adjusted.

DIRECTORS' INTERESTS AND SHORT POSITIONS (Cont'd)

(II) Associated Corporations (Cont'd)

Interests in debentures

Name of Director	Name of company	Amount of debentures held
Wong Man Chung, Francis	Road King Infrastructure Limited	US\$200,000 (<i>Notes 1 & 2</i>)

Notes:

1. Mr. Wong Man Chung, Francis was deemed to be interested in debentures of Road King through a corporation, namely FMCW Inc., which is 100% controlled by him.
2. Such debentures were US\$200 million fixed rate Guarantee Notes issued by Road King and will mature in July 2011.

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 Rules Governing the Listing Securities on the Stock Exchange (the "Listing Rules"). Particulars of the Share Option Scheme were set out in note 48 to the Consolidated Financial Statements in the 2007 Annual Report of the Company. During the period, 130,000 share options were lapsed.

SHARE OPTIONS (Cont'd)

(I) The Company (Cont'd)

A summary of the movements of share options during the period is as follows:

Name	Date of grant	Exercisable period	Exercise price	Number of share options				Balance at 30.6.2008
				Balance at 1.1.2008	Granted during the period	Exercised during the period	Lapsed during the period	
<i>HK\$</i>								
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

Disclosure of Interests

SHARE OPTIONS (Cont'd)

(I) The Company (Cont'd)

Name	Date of grant	Exercisable period	Exercise price	Number of share options				
				Balance at 1.1.2008	Granted during the period	Exercised during the period	Lapsed during the period	Balance at 30.6.2008
				<i>HK\$</i>				
Directors (Cont'd)								
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	1,390,000	—	—	(130,000)	1,260,000
Sub-total				1,390,000	—	—	(130,000)	1,260,000
Total				6,010,000	—	—	(130,000)	5,880,000

SHARE OPTIONS (Cont'd)

(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 30th June, 2008, Road King has granted 19,950,000 share options under the Road King Share Option Scheme to three Directors of the Company, 11,045,000 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 period are as follows:

Name of Director	Date of grant	Exercisable period	Exercise price	Number of share options				Balance at 30.6.2008
				Balance at 1.1.2008	Granted during the period	Exercised during the period*	Lapsed during the period	
			<i>HK\$</i>					
Zen Wei Pao, William	14th December, 2005	14th December, 2005 to 13th December, 2010	5.80	1,000,000	—	—	—	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	800,000	—	—	—	800,000
	6th November, 2007	6th November, 2007 to 5th November, 2012	14.85	1,500,000	—	—	—	1,500,000

SHARE OPTIONS (Cont'd)

(II) Associated Corporation (Cont'd)

Name of Director	Date of grant	Exercisable period	Exercise price	Number of share options				Balance at 30.6.2008
				Balance at 1.1.2008	Granted during the period	Exercised during the period*	Lapsed during the period	
			HK\$					
Chiu Wai Yee, Anriena	17th October, 2003	17th October, 2003 to 16th October, 2008	5.15	135,000	—	(30,000)	—	105,000
	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				8,935,000	—	(30,000)	—	8,905,000

* The weighted average closing price of the shares of Road King immediately before the date on which the share options were exercised is HK\$9.51.

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.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30th June, 2008, 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		Percentage of the issued ordinary share capital (%)
		Long position	Short position	
Cheng Yu Tung Family (Holdings) Limited (Note 2)	Corporate	213,868,000 (Note 1)	—	26.97
Centennial Success Limited (Note 3)	Corporate	213,868,000 (Note 1)	—	26.97
Chow Tai Fook Enterprises Limited (Note 4)	Corporate	213,868,000 (Note 1)	—	26.97
New World Development Company Limited (Note 5)	Corporate	213,868,000 (Note 1)	—	26.97
NWS Holdings Limited (Note 6)	Corporate	213,868,000 (Note 1)	—	26.97
NWS Service Management Limited (Note 7)	Corporate	213,868,000 (Note 1)	—	26.97
NWS Service Management Limited (Note 8)	Corporate	213,868,000 (Note 1)	—	26.97
Vast Earn Group Limited (Note 9)	Personal/ Beneficiary	213,868,000 (Note 1)	—	26.97

SUBSTANTIAL SHAREHOLDERS' INTERESTS (Cont'd)

Notes:

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

Save as disclosed above, no other person (other than 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.

The Company is committed to attaining good standard of corporate governance practices with an emphasis on a quality board, better transparency, and effective accountability system in order to enhance shareholders' value. Detailed disclosure of the Company's corporate governance practices is available in the 2007 Annual Report.

The Company has adopted the code provisions of the Code on Corporate Governance Practices (the "Code") set out in Appendix 14 of the Listing Rules as its own code and has complied with the Code throughout the six months ended 30th June, 2008, with deviations from code provisions A.2.1 and A.4.1 of the Code in respect of the separate role of chairman and chief executive officer, and service term of directors.

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

CODE PROVISION A.2.1

The Chairman of the Board is Mr. 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 the chief executive officer of the Company and had done so since 1992. He was formally designated the "managing director" of the Company until 1998 when his title was changed to "Vice Chairman". Even though he is not formally designated as the chief executive officer of the Company, his duties and responsibilities are segregated from those of the Chairman's.

CODE PROVISION A.2.1 (Cont'd)

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

CODE PROVISION A.4.1

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

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 six months ended 30th June, 2008.

AUDIT COMMITTEE

The Audit Committee has reviewed with management (including Finance Director and Group's Financial Controller), internal auditor and external auditor the accounting principles and policies adopted by the Group and the unaudited interim financial statements for the six months ended 30th June, 2008.

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

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

EMPLOYEES AND REMUNERATION POLICIES

As at 30th June, 2008, the Group had 1,241 employees (as at 31st December, 2007: 1,305 employees), of which 820 (as at 31st December, 2007: 911) were located in Hong Kong, 321 (as at 31st December, 2007: 317) were located in mainland China, 12 (as at 31st December, 2007: 11) were located in Taiwan and 88 (as at 31st December, 2007: 66) were located in Dubai. For the six months ended 30th June, 2008, the Group's total staff costs were about HK\$130 million (for the six months ended 30th June, 2007: HK\$115 million).

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

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

APPRECIATION

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

By Order of the Board

Zen Wei Peu, Derek

Vice Chairman

Hong Kong, 21st August, 2008



**REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION
TO THE BOARD OF DIRECTORS OF WAI KEE HOLDINGS LIMITED**

(Incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 28 to 59 which comprises the condensed consolidated balance sheet of Wai Kee Holdings Limited as of 30th June, 2008 and the related condensed consolidated income statement, statement of changes in equity and cash flow statement for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on the interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Without qualifying our review conclusion we draw attention to note 15 to the condensed 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 15, 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 management of the Tianjin Companies with a view to obtain effective control over these companies. However, the legal proceedings against the former management of the Tianjin Companies are temporarily suspended on the basis that unspecified facts which relate to those proceedings may overlap with unspecified matters under investigation by Tianjin authorities. The operation and financial position of the Tianjin Companies under the control of former management of Tianjin Companies are likely to be in jeopardy, if the present circumstances of the Tianjin companies are prolonged. Based on the advice of Road King's People's Republic of China ("PRC") legal adviser, Road King is taking steps to lift the suspension of the legal proceedings, which, if successful, will result in the effective continuation of Road King's legal proceedings against the former management of the Tianjin Companies. The directors of Road King, based on advice of Road King's PRC

Report on Review of Interim Financial Information

legal advisor, are of the firm belief that the court ruling will be favourable to Road King and accordingly, Road King will be able to assume effective control over the Tianjin Companies in the foreseeable future. Accordingly, in the opinion of the directors of Road King, no impairment on investment cost in the Tianjin Companies is considered as necessary. However, as the timing of re-opening of the court hearing and the eventual outcome of the court proceedings cannot be determined with certainty, there exist significant 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\$625,756,000.
- the banks seeking payment from Road King in relation to credit facilities to the Tianjin Companies amounting to HK\$333,333,000 as at 30th June, 2008 which has been guaranteed by Road King as described in note 15, in the event that the Tianjin Companies are not in a position to repay the credit facilities by the maturity date in June 2009.

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 condensed consolidated financial statements.

In the opinion of the directors of the Company, no impairment against the Group's interest in Road King is necessary. However, in view of the circumstances as stated above, there exist significant uncertainties which may affect the carrying amount of the Group's interests in associates.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

21st August, 2008

Condensed Consolidated Income Statement

For the six months ended 30th June, 2008

	Notes	Six months ended 30th June,	
		2008 (Unaudited) HK\$'000	2007 (Restated) (Unaudited) HK\$'000
Group revenue	3	367,807	446,332
Cost of sales		(350,907)	(421,892)
Gross profit		16,900	24,440
Other income	5	9,021	14,174
Investment income, gains and losses	6	(10,103)	57,632
Distribution costs		(2,735)	(3,176)
Administrative expenses		(59,420)	(57,191)
Change in fair value of structured borrowing		(12,257)	(2,379)
Finance costs	7	(8,262)	(9,867)
Share of results of associates		178,192	112,571
Share of results of jointly controlled entities		4,558	6,957
Net (loss) gain on deemed disposals of partial interest in an associate	8	(105)	27,393
Profit before tax	9	115,789	170,554
Income tax expense	10	(103)	(7,390)
Profit for the period		115,686	163,164
Attributable to:			
Equity holders of the Company		129,889	151,476
Minority interests		(14,203)	11,688
Profit for the period		115,686	163,164
Dividends	11	47,587	47,587
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share	12		
— Basic		16.38	19.10
— Diluted		16.34	18.84

Condensed Consolidated Balance Sheet

At 30th June, 2008

	Notes	30th June, 2008 (Unaudited) HK\$'000	31st December, 2007 (Restated) HK\$'000
Non-current assets			
Property, plant and equipment	13	46,621	31,049
Prepaid lease payments on land use rights		5,874	5,602
Intangible assets		32,858	32,858
Goodwill	14	35,473	35,473
Interests in associates	15	3,572,316	3,286,397
Interests in jointly controlled entities		68,855	82,949
Prepaid royalties	16	1,980	2,621
Other financial assets	17	48,935	47,320
		3,812,912	3,524,269
Current assets			
Prepaid lease payments on land use rights		134	127
Prepaid royalties	16	2,449	2,840
Finance lease receivables		—	271
Inventories		46,668	20,250
Amounts due from customers for contract work		104,425	80,322
Debtors, deposits and prepayments	18	286,683	288,448
Amounts due from associates		743	575
Amounts due from jointly controlled entities		20,924	14,732
Tax recoverable		1,239	2,673
Held-for-trading investments	19	94,962	122,729
Pledged bank deposits	26	22	2,058
Bank balances and cash		62,454	86,377
		620,703	621,402
Current liabilities			
Amounts due to customers for contract work		54,884	19,889
Creditors and accrued charges	20	292,481	283,764
Amounts due to an associate		18,911	7,682
Amounts due to jointly controlled entities		23,237	3,974
Amount due to a related company	21	487	452
Amounts due to minority shareholders		3,359	3,359
Tax liabilities		5,625	12,496
Loans from a director	22	10,000	—
Other borrowings		16,636	21,697
Bank loans	23	299,698	298,189
Structured borrowing	24	12,480	12,480
Bank overdrafts, secured		3,002	2,110
		740,800	666,092
Net current liabilities		(120,097)	(44,690)
Total assets less current liabilities		3,692,815	3,479,579

Condensed Consolidated Balance Sheet

At 30th June, 2008

	<i>Notes</i>	30th June, 2008 (Unaudited) HK\$'000	31st December, 2007 (Restated) HK\$'000
Non-current liabilities			
Deferred tax liabilities		5,921	5,921
Obligations in excess of interests in associates	25	21,421	21,910
Loan from a shareholder		—	30,000
Loans from minority shareholders		960	960
Amount due to an associate		9,581	10,686
Amount due to a jointly controlled entity		4,067	4,067
Other borrowings		135	82
Bank loans	23	8,635	36,394
Structured borrowing	24	47,788	41,770
		98,508	151,790
Total net assets		3,594,307	3,327,789
Capital and reserves			
Share capital		79,312	79,312
Share premium and reserves		3,452,711	3,173,738
Equity attributable to equity holders of the Company		3,532,023	3,253,050
Minority interests		62,284	74,739
Total equity		3,594,307	3,327,789

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June, 2008

	Share capital HK\$'000	Share premium HK\$'000	Translation reserve HK\$'000	Special reserve* HK\$'000	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, 2007										
As originally stated	79,312	731,906	105,372	(29,530)	—	2,319	1,944,070	2,833,449	67,596	2,901,045
Effects of application of new interpretation (note 2)	—	—	—	—	—	—	1,554	1,554	1,321	2,875
As restated	79,312	731,906	105,372	(29,530)	—	2,319	1,945,624	2,835,003	68,917	2,903,920
Share of reserves of associates recognised directly in equity	—	—	30,205	—	—	—	—	30,205	—	30,205
Profit for the period	—	—	—	—	—	—	151,476	151,476	11,688	163,164
Total recognised income and expense for the period	—	—	30,205	—	—	—	151,476	181,681	11,688	193,369
Acquisition of additional interest in a subsidiary	—	—	—	—	—	—	—	—	(3,050)	(3,050)
Forfeiture of share options issued by an associate	—	—	—	—	—	—	24	24	—	24
Disposal of partial interest in a subsidiary	—	—	—	—	—	—	—	—	865	865
Dividends paid	—	—	—	—	—	—	(47,587)	(47,587)	—	(47,587)
At 30th June, 2007	79,312	731,906	135,577	(29,530)	—	2,319	2,049,537	2,969,121	78,420	3,047,541
At 1st January, 2008										
As originally stated	79,312	731,906	288,346	(29,530)	1,793	2,319	2,175,014	3,249,160	71,554	3,320,714
Effects of application of new interpretation (note 2)	—	—	—	—	—	—	3,890	3,890	3,185	7,075
As restated	79,312	731,906	288,346	(29,530)	1,793	2,319	2,178,904	3,253,050	74,739	3,327,789
Exchange difference arising on translation of foreign operations	—	—	7,317	—	—	—	—	7,317	1,748	9,065
Share of reserves of associates	—	—	186,547	—	—	—	—	186,547	—	186,547
Net income recognised directly in equity	—	—	193,864	—	—	—	—	193,864	1,748	195,612
Profit for the period	—	—	—	—	—	—	129,889	129,889	(14,203)	115,686
Total recognised income and expense for the period	—	—	193,864	—	—	—	129,889	323,753	(12,455)	311,298
Recognition of equity-settled share-based payments	—	—	—	—	1,705	—	—	1,705	—	1,705
Forfeiture of share options issued by an associate	—	—	—	—	—	—	1,102	1,102	—	1,102
Dividends paid	—	—	—	—	—	—	(47,587)	(47,587)	—	(47,587)
At 30th June, 2008	79,312	731,906	482,210	(29,530)	3,498	2,319	2,262,308	3,532,023	62,284	3,594,307

* 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.

Condensed Consolidated Cash Flow Statement

For the six months ended 30th June, 2008

	Six months ended 30th June,	
	2008	2007
	(Unaudited)	(Restated)
	HK\$'000	HK\$'000
Net cash used in operating activities	(34,100)	(20,040)
Investing activities		
Distribution of profits from jointly controlled entities	20,311	20,688
Dividends received from an associate	79,329	72,042
(Advances to) repayment from associates	(168)	754
Advances to jointly controlled entities	(5,937)	(17,804)
Capital contribution to a jointly controlled entity	—	(12,197)
Increase in investments in associates	—	(77,709)
Proceeds from disposal of partial interest in a subsidiary	—	3,709
Proceeds from disposal of property, plant and equipment	6,582	3,054
Purchase of property, plant and equipment	(20,098)	(5,462)
Repayment of finance lease receivables	271	322
Other investing activities	2,584	(3,375)
Net cash from (used in) investing activities	82,874	(15,978)
Financing activities		
New bank loans raised	23,000	118,035
Repayment of bank loans	(49,250)	(17,791)
Other borrowings raised	83	97
Repayment of other borrowings	(5,091)	(10)
Repayment of structured borrowing	(6,239)	(6,240)
Loans raised from a director	10,000	—
Repayment of loan from a shareholder	(30,000)	—
Dividends paid	(47,587)	(47,587)
Advances from (repayment to) jointly controlled entities	19,263	(24,983)
Advances from (repayment to) associates	10,124	(170)
Repayment to a related company	—	(12,256)
Net cash (used in) from financing activities	(75,697)	9,095
Net decrease in cash and cash equivalents	(26,923)	(26,923)
Cash and cash equivalents at beginning of the period	84,267	98,089
Effect of foreign exchange rate changes, net	2,108	—
Cash and cash equivalents at end of the period	59,452	71,166
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	62,454	75,627
Bank overdraft	(3,002)	(4,461)
	59,452	71,166

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2008

1. BASIS OF PREPARATION

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

At 30th June, 2008, the Group has net current liabilities of HK\$120,097,000. 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 by maintaining adequate reserves, banking facilities and borrowing facilities for its present requirements for the next twelve months from the balance sheet date. Accordingly, the condensed consolidated financial statements have been prepared on a going concern basis.

2. PRINCIPAL ACCOUNTING POLICIES

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

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

The adoption of these new Interpretations, other than HK(IFRIC) — Int 12 “Service Concession Arrangements” which is detailed as below, had no material effect on the results or financial position of the Group for the current or prior accounting periods:

Service concession arrangements

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

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

Service concession arrangements (Cont'd)

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2008

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

Service concession arrangements (Cont'd)

Summary of the effects of the application of the new interpretation

The effects of the application of the new interpretation described above on the results for the current and prior periods by line items presented according to their functions are as follows:

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

Analysis of increase in profit for the current and prior periods by line items presented according to their functions:

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2008

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

Service concession arrangements (Cont'd)

Summary of the effects of the application of the new interpretation (Cont'd)

The cumulative effects of the application of the new interpretation as at 31st December, 2007 are summarised below:

	As at 31st December, 2007		
	Originally stated <i>HK\$'000</i>	Adjustments <i>HK\$'000</i>	Restated <i>HK\$'000</i>
Balance sheet items			
Property, plant and equipment	71,294	(40,245)	31,049
Other financial assets	—	47,320	47,320
Total effects on assets	71,294	7,075	78,369
Retained profits	2,175,014	3,890	2,178,904
Minority interests	71,554	3,185	74,739
Total effects on equity	2,246,568	7,075	2,253,643

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2008

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

Service concession arrangements (Cont'd)

Summary of the effects of the application of the new interpretation (Cont'd)

The effects of the application of the new interpretation on the Group's equity as at 1st January, 2007 are summarised below:

	As at 1st January, 2007		
	Originally stated <i>HK\$'000</i>	Adjustments <i>HK\$'000</i>	Restated <i>HK\$'000</i>
Retained profits	1,944,070	1,554	1,945,624
Minority interests	67,596	1,321	68,917
Total effects on equity	2,011,666	2,875	2,014,541

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

Impact on basic earnings per share

	Six months ended 30th June, 2007 <i>HK cents</i>
Before adjustments	18.95
Adjustments arising from the application of the new interpretation	0.15
As adjusted	19.10

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2008

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

Service concession arrangements (Cont'd)

Summary of the effects of the application of the new interpretation (Cont'd)

Impact on diluted earnings per share

	Six months ended 30th June, 2007 HK cents
Before adjustments	18.69
Adjustments arising from the application of the new interpretation	0.15
As adjusted	18.84

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

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

¹ Effective for annual periods beginning on or after 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 July, 2008

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2008

3. GROUP REVENUE

	Six months ended 30th June,	
	2008	2007
	HK\$'000	HK\$'000
Group revenue	367,807	446,332
Share of revenue of jointly controlled entities	114,036	169,020
Group revenue and share of revenue of jointly controlled entities	481,843	615,352
Group revenue analysed by revenue from:		
Civil construction	350,639	420,331
Quarrying	17,168	18,943
Others	—	7,058
	367,807	446,332

4. SEGMENTAL INFORMATION

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2008

4. SEGMENTAL INFORMATION (Cont'd)

Highway and expressway operations (operated through an associate of the Group)

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

Property development (operated through associates of the Group)

- investment in property development projects

The Group's revenue and profit for the six months ended 30th June, 2008 and 30th June, 2007 by business segment are as follows:

	Civil construction HK\$'000	Quarrying HK\$'000	Bio- technology HK\$'000	Highway and expressway operations HK\$'000	Property development HK\$'000	Others HK\$'000	Total HK\$'000
Six months ended 30th June, 2008							
Revenue							
Group/Segment revenue	350,639	17,168	—	—	—	—	367,807
Results							
Segment results	(17,709)	2,608	(5,628)	—	—	(3,772)	(24,501)
Investment income, gains and losses							(10,103)
Unallocated net expenses							(23,990)
Finance costs							(8,262)
Share of results of associates	489	—	—	128,537	51,133	(1,967)	178,192
Share of results of jointly controlled entities	4,558	—	—	—	—	—	4,558
Net loss on deemed disposals of partial interest in an associate							(105)
Profit before tax							115,789
Income tax expense							(103)
Profit for the period							115,686

There were no inter-segment sales for the six months ended 30th June, 2008.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2008

4. SEGMENTAL INFORMATION (Cont'd)

	Civil construction HK\$'000	Quarrying HK\$'000	Bio- technology HK\$'000	Highway and expressway operations HK\$'000	Property development HK\$'000	Others HK\$'000	Elimination HK\$'000	Total HK\$'000
Six months ended								
30th June, 2007								
Revenue								
Group revenue	420,331	18,943	—	—	—	7,058	—	446,332
Add: Inter-segment sales	—	(40)	—	—	—	—	40	—
Segment revenue	420,331	18,903	—	—	—	7,058	40	446,332
Results								
Segment results	(12,619)	2,449	(5,426)	—	—	4,625		(10,971)
Investment income, gains and losses								57,632
Unallocated net expenses								(13,161)
Finance costs								(9,867)
Share of results of associates	—	—	—	108,621	8,782	(4,832)		112,571
Share of results of jointly controlled entities	6,957	—	—	—	—	—		6,957
Net gain on deemed disposals of partial interest in an associate								27,393
Profit before tax								170,554
Income tax expense								(7,390)
Profit for the period								163,164

Inter-segment sales are charged at prevailing market rates.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2008

5. OTHER INCOME

	Six months ended 30th June,	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Other income includes:		
Interest on bank deposits	265	338
Interest on loans and other receivable	277	2,075
Interest on other financial assets	938	875
Discount on acquisition of additional interest in a subsidiary	—	3,050
Gain on disposal of partial interest in a subsidiary	—	2,418
Gain on disposal of property, plant and equipment, net	6,565	2,754

6. INVESTMENT INCOME, GAINS AND LOSSES

	Six months ended 30th June,	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Dividend income from held-for-trading investments	2,106	1,281
Change in fair value of held-for-trading investments	(12,209)	58,751
Impairment loss on available-for-sale investments	—	(2,400)
	(10,103)	57,632

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2008

7. FINANCE COSTS

	Six months ended 30th June,	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on:		
Bank and other borrowings wholly repayable within five years	8,127	9,445
Interest bearing amount due to an associate	71	71
Interest bearing amount due to a related company	35	351
Interest bearing loans from a director	29	—
	8,262	9,867

8. NET (LOSS) GAIN ON DEEMED DISPOSALS OF PARTIAL INTEREST IN AN ASSOCIATE

	Six months ended 30th June,	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss) gain on deemed disposals of partial interest in an associate arising from:		
Placement of new shares	—	41,482
Exercise of options granted to its directors and employees	(105)	(14,089)
	(105)	27,393

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2008

8. NET (LOSS) GAIN ON DEEMED DISPOSALS OF PARTIAL INTEREST IN AN ASSOCIATE (Cont'd)

During the current period, the Group's associate, Road King Infrastructure Limited ("Road King"), issued 40,000 ordinary shares at the weighted average exercise price of HK\$5.31 per share upon exercise of options granted to the 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 0.002% resulting in a total net loss of HK\$105,000.

During the six months ended 30th June, 2007, Road King issued 45,000,000 ordinary shares at a price of HK\$12.2 per share by placing to various investors, and also issued 10,894,000 ordinary shares at the weighted average exercise price of HK\$6.38 per share upon exercise of options granted to the directors and employees of Road King under Road King's share option scheme. As a result, the interest of the Group in Road King was reduced in aggregate by 3% resulting in a total net gain of HK\$27,393,000.

9. PROFIT BEFORE TAX

	Six months ended 30th June,	
	2008	2007
	HK\$'000	HK\$'000
Profit before tax has been arrived at after charging (crediting):		
Depreciation	3,973	6,127
Allowance for doubtful debts	—	1,187
Amortisation of prepaid lease payments on land use rights	65	82
Share of income tax expense of associates (included in share of results of associates)	91,691	12,475
Share of income tax expense (credit) of jointly controlled entities (included in share of results of jointly controlled entities)	11	(1,069)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2008

10. INCOME TAX EXPENSE

	Six months ended 30th June,	
	2008 HK\$'000	2007 HK\$'000
Current tax		
Hong Kong	—	7,564
Other jurisdictions	103	109
Overprovision in prior years		
Hong Kong	—	(283)
	103	7,390

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

Hong Kong Profits Tax was recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. On 26th June, 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which includes the reduction in corporate profit tax rate by 1% to 16.5% effective from the year of assessment 2008-2009. The effect of such decrease has been reflected in measuring the current and deferred tax for the six months ended 30th June, 2008. The estimated average annual tax rate used is 16.5% for six months ended 30th June, 2008 (six months ended 30th June, 2007: 17.5%).

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2008

11. DIVIDENDS

	Six months ended 30th June,	
	2008	2007
	HK\$'000	HK\$'000
Dividend paid and recognised as distributions during the period:		
2007 final dividend — HK6 cents (six months ended 30th June, 2007: 2006 final dividend — HK6 cents) per share	47,587	47,587

The board of directors (the "Board") does not recommend the payment of an interim dividend for the six months ended 30th June 2008.

An interim dividend for the six months ended 30th June, 2007 of HK6 cents per ordinary share amounting to approximately HK\$47,588,000 was approved by the Board.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2008

12. 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:

	Six months ended 30th June,	
	2008 HK\$'000	2007 HK\$'000
Earnings for the purpose of basic earnings per share	129,889	151,476
Effect of dilutive potential ordinary shares: Decrease in share of profit of an associate arising from exercise of share options issued by that associate	(320)	(2,051)
Earnings for the purpose of diluted earnings per share	129,569	149,425

	Number of shares	
Number of ordinary shares for the purposes 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 thereof has been accounted for.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2008

13. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group disposed of certain plant and equipment with a carrying amount of HK\$17,000 for proceeds of HK\$6,582,000, resulting in a gain on disposal of HK\$6,565,000.

During the period, the Group spent HK\$20,098,000 (six months ended 30th June, 2007: HK\$5,462,000) on property, plant and equipment.

At 30th June, 2008, the Group has pledged certain motor vehicles with carrying value of HK\$534,000 (31st December, 2007: HK\$626,000) to secure new bank loans granted to the Group.

14. GOODWILL

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

15. INTERESTS IN ASSOCIATES

The amount represents mainly the equity interests in Road King.

The following matters have been reported in the interim report of Road King for the six months ended 30th June, 2008:

As detailed in Road King's annual consolidated financial statements for the year ended 31st December, 2007, 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") would have become indirect subsidiaries of Road King.

15. INTERESTS IN ASSOCIATES (Cont'd)

The PRC legal counsel had confirmed that the legal procedures in respect of the acquisition of the Tianjin Companies had been completed and the acquisition was legally enforceable under the relevant laws in the PRC. However, Road King has not yet obtained effective control over the Tianjin Companies despite the fact that the board of directors of the Tianjin Companies was appointed by Road King as the former management of the Tianjin Companies has not yet allowed the representatives of Road King to access the office of the Tianjin Companies, and has not yet handed over the official seals, the books and records as well as other relevant documents of the Tianjin Companies. Without such access of 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; (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; and (iii) issuing warning letters to the relevant banks in Tianjin to alert them to take extra care when entering into mortgage transactions with the customers and any other bank transactions with the Tianjin Companies.

As Road King has not yet obtained effective control or exercise significant influence over the operating and financing policies of the Tianjin Companies, 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 condensed consolidated financial statements. The investments in the Tianjin Companies have been recorded at cost less impairment as at 30th June, 2008 and 31st December, 2007 because the investments are unquoted equity shares whose range of reasonable fair value estimates is so significant that the directors of Road King 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 cost in the Tianjin Companies is considered as necessary.

15. INTERESTS IN ASSOCIATES (Cont'd)

Road King commenced legal proceedings in the Tianjin Nankai District People's Court in October 2007 to enforce its rights and to assume effective control over the Tianjin Companies. However, the legal proceedings against the former management of the Tianjin Companies have been temporarily suspended during the current interim period on the basis that unspecified facts which relate to those proceedings may overlap with unspecified matters under investigation by Tianjin authorities. Based on the advice of Road King's PRC legal advisor, Road King is taking steps to lift the suspension of the legal proceedings, which, if successful, will result in the effective continuation of Road King's legal proceedings against the former management of the Tianjin Companies. The directors of Road King, based on advice of Road King's PRC legal adviser, are of the firm belief that the court ruling will be favourable to Road King and accordingly, Road King will be able to assume effective control over the Tianjin Companies in the foreseeable future. Road King will continue its best endeavours to pursue the lawsuit in order to assume effective control over the Tianjin Companies.

In addition, at 30th June, 2008, Road King provided guarantees in favour of banks to provide credit facilities to the Tianjin Companies, of which Road King is in the process of seeking to obtain effective control, amounting to HK\$333,333,000 (31st December, 2007: 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 was HK\$22,000,000 and the amortisation of the fair value of the financial guarantees amounting to HK\$11,167,000 (six months ended 30th June, 2007: Nil) has been credited to the condensed consolidated income statement of Road King and the balance of HK\$1,833,000 (31st December, 2007: HK\$13,000,000) has been included in the condensed consolidated balance sheet of Road King under balance of other accrued charges.

The bank loans of the Tianjin Companies amounted to HK\$333,333,000 will mature in July 2008 and the Tianjin Companies have already agreed with the bank to extend the maturity date of the bank loans to June 2009. The management of Road King will closely monitor the financial position of the Tianjin Companies to ensure that adequate provision is made if the financial position of the Tianjin Companies deteriorates which will cause a financial loss to Road King due to the failure to repay the bank loans.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2008

15. INTERESTS IN ASSOCIATES (Cont'd)

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 condensed consolidated financial statements.

In view of the circumstances as stated above, there exist significant uncertainties in respect of the Group's interests in Road King, which may affect the carrying amount of the Group's interests in associates and the Group's share of results of associates. However, taking into account the factors stated above, the directors of the Company are of the view that no impairment against the Group's interests in Road King is necessary.

16. PREPAID ROYALTIES

Prepaid royalties are analysed as follows:

	30th June, 2008 HK\$'000	31st December, 2007 HK\$'000
Within one year	2,449	2,840
In the second to fifth year inclusive	35,980	36,621
	38,429	39,461
<i>Less: Allowance</i>	(34,000)	(34,000)
	4,429	5,461
<i>Less: Amount recoverable within one year shown under current assets</i>	(2,449)	(2,840)
Amount recoverable after one year	1,980	2,621

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2008

17. OTHER FINANCIAL ASSETS

As explained in note 2, the amount represents the consideration receivable for the construction of a sewage treatment plant to provide public service in the PRC under a service concession arrangement contract.

18. DEBTORS, DEPOSITS AND PREPAYMENTS

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

	30th June, 2008 HK\$'000	31st December, 2007 HK\$'000
Trade debtors analysed by age:		
0 to 60 days	173,466	189,609
61 to 90 days	2,760	140
Over 90 days	5,961	5,456
	182,187	195,205
Retention receivables	41,304	32,608
Other debtors, deposits and prepayments	63,192	60,635
	286,683	288,448
Retention receivables		
Due within one year	20,064	19,658
Due more than one year	21,240	12,950
	41,304	32,608

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2008

19. HELD-FOR-TRADING INVESTMENTS

	30th June, 2008	31st December, 2007
	HK\$'000	HK\$'000
Held-for-trading investments at fair value:		
Equity securities listed in Hong Kong	94,928	122,688
Equity securities quoted on National Association of Securities Dealers Automated Quotation's Over the Counter Bulletin Board in the United States of America	34	41
	94,962	122,729

At 30th June, 2008, certain listed equity securities with market value of HK\$26,190,000 (31st December, 2007: HK\$41,400,000) 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 condensed consolidated balance sheet.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2008

20. CREDITORS AND ACCRUED CHARGES

	30th June, 2008	31st December, 2007
	HK\$'000	HK\$'000
Trade creditors analysed by age:		
0 to 60 days	74,123	57,664
61 to 90 days	5,856	5,085
Over 90 days	14,557	10,952
	94,536	73,701
Retention payables	31,125	32,852
Accrued project costs	81,504	100,043
Other creditors and accrued charges	85,316	77,168
	292,481	283,764
Retention payables		
Due within one year	21,085	19,723
Due more than one year	10,040	13,129
	31,125	32,852

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

21. AMOUNT DUE TO A RELATED COMPANY

The related company is a subsidiary of one of the Company's substantial shareholders. The amount is unsecured, carries interest at prime rate of 5.25% (31st December, 2007: 6.75%) per annum and is repayable on demand.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2008

22. LOANS FROM A DIRECTOR

The loans from a director of HK\$3,000,000 and HK\$7,000,000 carry interest at Hong Kong Interbank Offered Rate plus 1.75% per annum and are repayable within one year.

23. BANK LOANS

	30th June, 2008 HK\$'000	31st December, 2007 HK\$'000
The maturity of the bank loans is as follows:		
Within one year	299,698	298,189
In the second year	4,194	4,185
In the third to fifth year inclusive	4,441	32,209
	308,333	334,583
Less: Amount due within one year shown under current liabilities	(299,698)	(298,189)
Amount due after one year	8,635	36,394
Secured	53,562	97,348
Unsecured	254,771	237,235
	308,333	334,583

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2008

23. BANK LOANS (Cont'd)

During the period, in respect of bank loans with carrying amounts of HK\$95,968,000 as at 30th June, 2008 (31st December, 2007: HK\$54,735,000), the Group breached certain terms of the bank loans, which are primarily related to the debt-equity ratio and current ratio. According to the 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\$46,461,000 (31st December, 2007: HK\$32,480,000) have been classified as current liabilities in the condensed consolidated balance sheet as at 30th June, 2008. The Group has subsequently obtained written consent from the banks to waive their rights to demand immediate payment for bank loans amounting to HK\$45,633,000 and to amend certain terms with banks to lower the current ratio requirement for remaining bank loans amounting to HK\$50,335,000.

During the period, the Group obtained new bank loans of HK\$23,000,000. The loans carry interest at market rates of 3.24% to 4.80% per annum and are repayable within one year. The proceeds were used to finance the Group's civil engineering projects and working capital.

24. STRUCTURED BORROWING

	30th June, 2008	31st December, 2007
	HK\$'000	HK\$'000
Structured borrowing at fair value, classified as:		
Current	12,480	12,480
Non-current	47,788	41,770
	60,268	54,250

24. STRUCTURED BORROWING (Cont'd)

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 a current liability.

The entire combined contract was measured at fair value based on the valuation provided by the counterparty at 30th June, 2008. As at 30th June, 2008, the difference between the fair value and the net amount of the upfront payment received less the repayments made was HK\$16,587,000 (31st December, 2007: HK\$4,330,000). Increase in fair value of HK\$12,257,000 during the period has been charged to the condensed consolidated income statement. As at 31st July, 2008, the fair value was HK\$53,359,000.

25. OBLIGATIONS IN EXCESS OF INTERESTS IN ASSOCIATES

	30th June, 2008	31st December, 2007
	HK\$'000	HK\$'000
Cost of investment in unlisted associates	4	4
Share of post-acquisition losses	(21,425)	(21,914)
	(21,421)	(21,910)

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

26. PLEDGE OF ASSETS

Other than disclosed in notes 13 and 19, at 30th June, 2008, bank deposits amounting to HK\$22,000 (at 31st December, 2007: HK\$2,058,000) of the Group were pledged to banks for securing the banking facilities granted to the Group. The pledged bank deposits carry fixed interest ranging from 0.02% to 1.07% (31st December, 2007: 1.35% to 2.26%) per annum.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2008

26. PLEDGE OF ASSETS (Cont'd)

At 30th June, 2007, prepaid lease payment on land use rights and building with an aggregate carrying value of HK\$6,950,000 were pledged to secure the banking facilities granted to the Group.

27. CONTINGENT LIABILITIES

	30th June, 2008 HK\$'000	31st December, 2007 HK\$'000
Outstanding tender/performance/retention bonds in respect of construction contracts	137,659	122,190

28. RELATED PARTY TRANSACTIONS

	Six months ended 30th June,	
	2008 HK\$'000	2007 HK\$'000
Associates		
Interest paid	71	71
Jointly controlled entities		
Interest income	66	—
Compensation of key management personnel		
Short-term employee benefits	11,467	11,226
Post-employment benefits	702	798
Share-based payments	844	—
	13,013	12,024

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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