Wai Kee Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 610)

Annual Report 2008

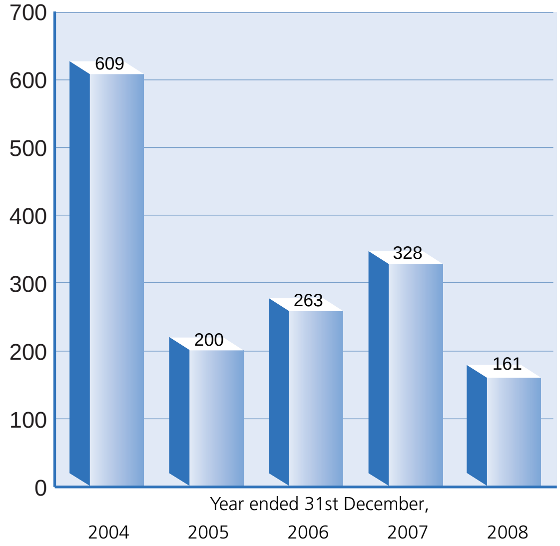
Contents

	Year ended 31st December,	
	2008	2007
		(Restated)
	HK$'million	*HK$'million*
Group revenue and share of revenue of jointly controlled entities	**1,052**	1,358
Profit before tax	**118**	341
Profit attributable to equity holders	**161**	328
	HK cents	*HK cents*
Basic earnings per share	**20.35**	41.41
Dividends per share	**—**	12
Return on equity attributable to equity holders	**4.5%**	10.1%

	As at 31st December,	
	2008	2007
		(Restated)
	HK$'million	*HK$'million*
Total assets	**4,445**	4,146
Total liabilities	**(822)**	(818)
Minority interests	**(37)**	(75)
Equity attributable to equity holders	**3,586**	3,253
	HK$	*HK$*
Equity attributable to equity holders per share	**4.52**	4.10

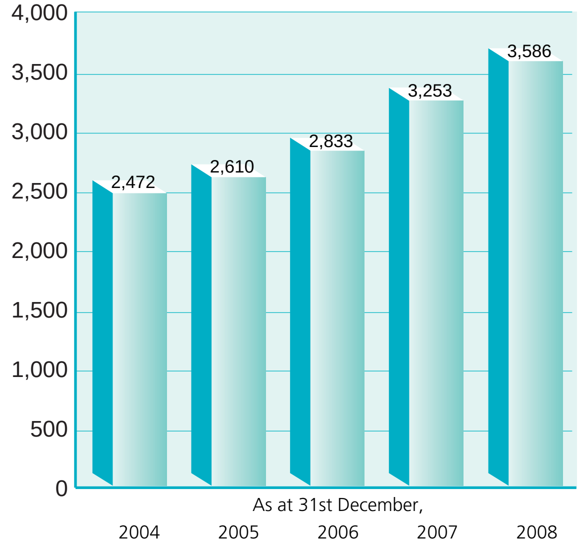
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS

in HK$'million



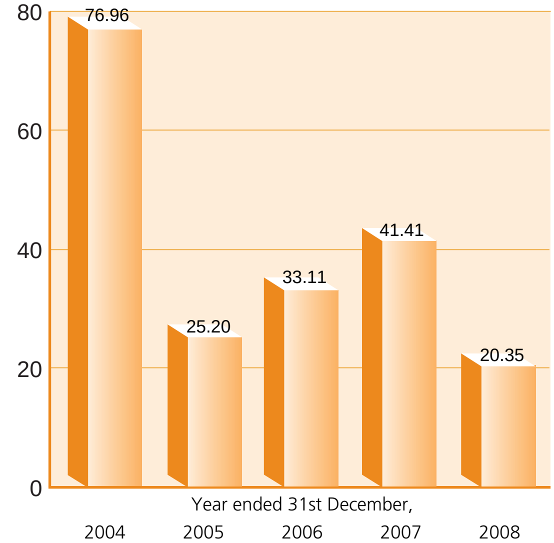
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS

in HK$'million



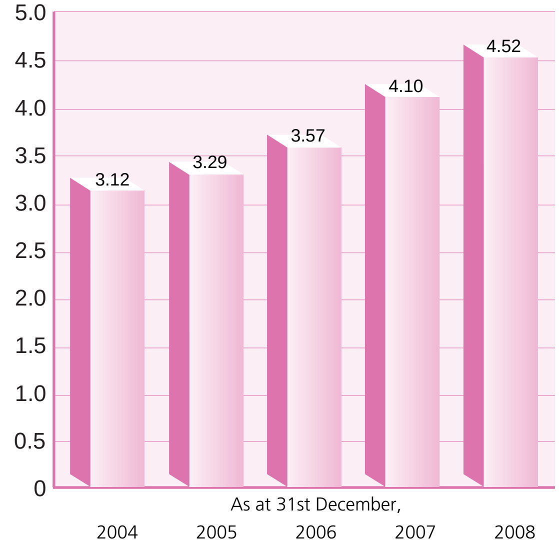
BASIC EARNINGS PER SHARE

in HK cents



EQUITY ATTRIBUTABLE TO EQUITY HOLDERS PER SHARE

in HK$



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, 2008 was HK$837 million (2007: HK$872 million restated) generating an audited consolidated profit attributable to equity holders of HK$161 million (2007: HK$328 million restated), a decrease of 51% as compared with that of year 2007. If including revenue of jointly controlled entities shared by the Group, the Group's revenue for the year was HK$1,052 million (2007: HK$1,358 million restated).

At the forthcoming Annual General Meeting to be held on 21st May, 2009, the Board will not recommend the payment of a final dividend (2007: HK6 cents per share).

BUSINESS REVIEW

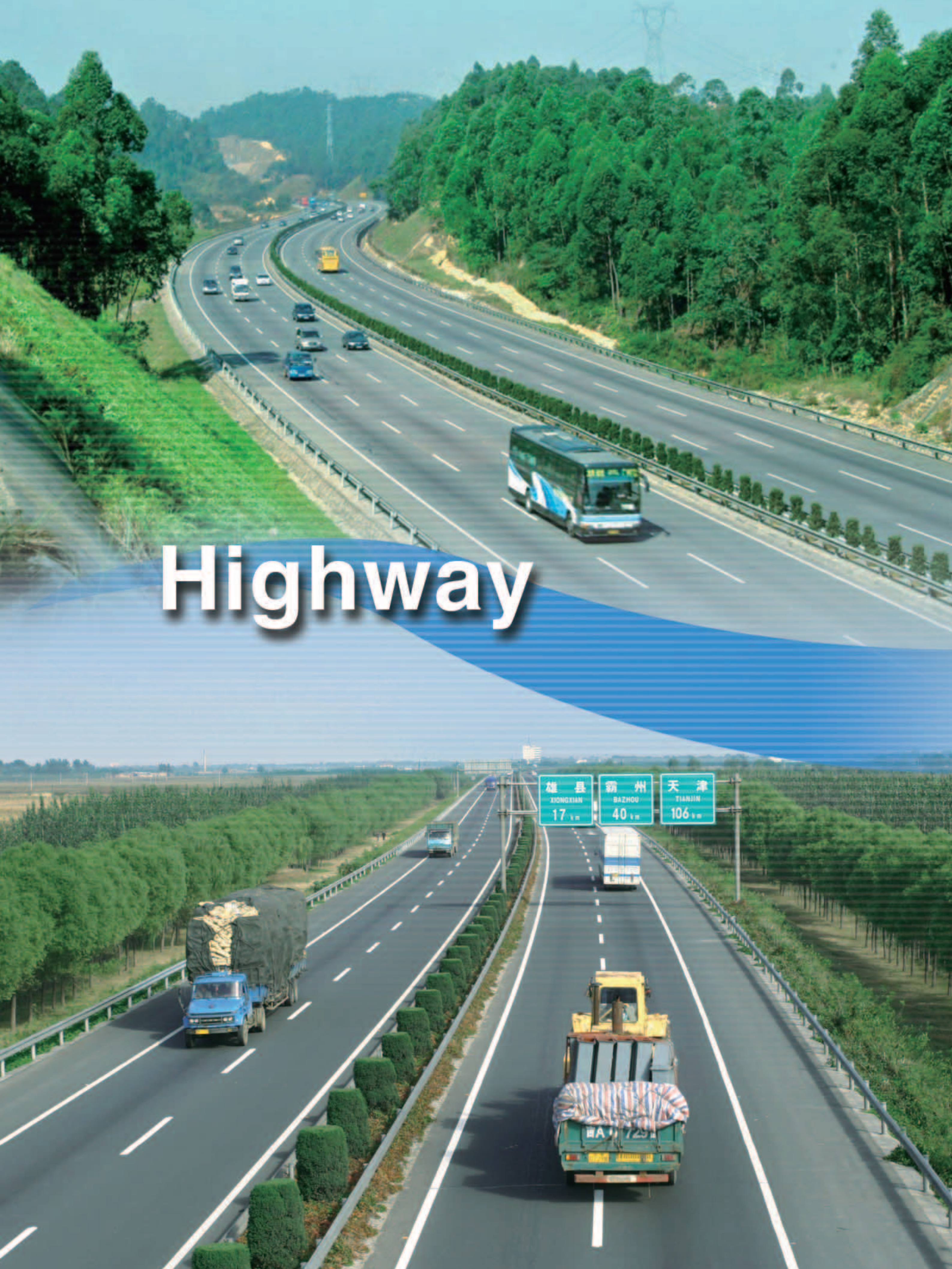
Highway and Expressway Operations and Property Development

For the year ended 31st December, 2008, Road King Infrastructure Limited ("Road King"), an associate of the Group, recorded an audited profit attributable to equity holders of HK$656 million (2007: HK$851 million).

During the year, Road King repurchased and cancelled 13,760,000 ordinary shares. As a result, the Group's interest in Road King was increased, generating a total gain of HK$49 million (2007: nil). On the other hand, Road King issued 40,000 new shares upon exercise of options granted to its employees under the share option scheme of Road King. As the shares were issued at an exercise price lower than the net asset value per share of Road King, the Group recorded a total net loss of HK$0.1 million on deemed disposal of partial interest in Road King (2007: a net gain of HK$23 million).

For the year ended 31st December, 2008, highway and expressway operations of Road King contributed profit of HK$247 million to the Group (2007: HK$178 million). With respect to the property development, the Group shared a total loss of HK$9 million (2007: profit of HK$151 million) from Road King and Sunco Property Holdings Company Limited ("Sunco Property"), a subsidiary of Road King.

Highway



BUSINESS REVIEW (Cont'd)

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

As of the date of this report, the Group holds 38.34% interest in Road King and directly holds 5.3% interest in Sunco Property in addition to the effective interest of 34.3% indirectly held through Road King.

During the year, traffic volume of toll road projects was 124 million vehicles. Toll revenue was RMB2,545 million, representing an increase of 10%, as compared to that in 2007. Cash generated from the toll road business amounted to HK$1,083 million. In 2008, Road King disposed of its interest in the Luochong Highway in the Guangdong Province. Such disposal is in line with Road King's strategy to consolidate its existing Class I/II highway portfolio.

The revenue generated from property development increased from HK$2,408 million in 2007 to HK$4,631 million in 2008 due to the consolidation of the full year results of the Sunco Property Group. Total contracted sales and pre-sales of properties in 2008 was 338,000 sq.m. in aggregate. The property business was affected by the unfavourable market sentiments and recorded a loss in 2008. To cater for the adverse changes in the market, Road King with its prudent and pragmatic business approach abruptly adjusted the magnitude and speed of construction, and promptly stopped all new investments in early 2008.

Road King has not yet secured effective control of 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"). The civil litigation proceedings initiated by Road King against the former senior management team of the Tianjin Companies have been suspended by the Tianjin Nankai District People's Court since early 2008. In the meantime, Road King has solicited the support of the Tianjin Municipal Government in facilitating resolution of the disputes. In January 2009, Road King received a notice advising that a criminal investigation by Tianjin authorities was officially dismissed. Based on the advice of the PRC legal counsel, it is highly probable that Road King will be able to lift the suspension of the legal proceedings, which will result in the effective continuation of Road King's legal proceedings to assume the effective control over the Tianjin Companies.

Road King commenced litigation proceedings against the former major shareholders of Sunco Property in October 2007. The proceedings are now at the stage of discovery and preparation of witness statements and Road King is taking legal advice with regards to the information that has been received.

Properties

BUSINESS REVIEW (Cont'd)

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

In 2009, Road King's toll road division will continue to maximize the value of its existing portfolio, and if opportunities arise, divest Class I/II Highway projects. It is expected that the toll road projects will continue to grow in line with the economic development of their respective areas, thus contributing cash and profit to Road King.

With respect to the property development, Road King expects that 2009 will continue to be a challenging year as the economy is struggling against the global financial crunch. Road King will therefore focus on maximizing the value from the existing portfolio and consolidate its market position in major cities. Road King will also try to maintain an admirable cash position to guard against any prolongation of the crisis.

Civil Construction

For the year ended 31st December, 2008, the Group's construction sector, Build King Holdings Limited ("Build King") reported revenue and share of revenue of jointly controlled entities of HK$966 million (2007: HK$1,285 million restated) and an audited loss attributable to equity holders of HK$94 million (2007: profit of HK$15 million restated), including a loss of HK$47 million from its portfolio of Hong Kong listed securities (2007: gain of HK$33 million). The Group's share of loss from Build King was HK$53 million (2007: share of profit of HK$9 million restated). As of the date of this report, the Group holds 51.17% interest in Build King.

The loss in construction business was mainly attributable to termination of a project in Taiwan together with the continuing keen construction competition in Hong Kong. In Taiwan, a marine construction project at Shuitou Port in Kinmen had been terminated by the client due to a dispute on progress of the work which resulted in a provision for a loss of HK$34 million. Hong Kong market has continued to be very competitive. The margin on projects awarded in previous years has been thin and results have been further adversely affected by escalating material costs.

The Hong Kong Government will substantially increase its infrastructure expenditure. It is anticipated that the construction business will have brighter future in 5 to 7 years.

In United Arab Emirates ("UAE"), the joint venture reported its first year profit in 2008. Given the outstanding performance of on-going projects and high enquiries level, Build King is well placed to capitalise on the opportunities that exist in the current environment.

Construction

BUSINESS REVIEW (Cont'd)

Civil Construction (Cont'd)

On marine construction works, Build King has completed three projects and two projects in the sum of HK$215 million remain outstanding. On plant chartering, the applications for ship classification status is progressing very well. All vessels have now been re-registered under the UAE flags, this will facilitate licensing and operation in the region. During 2008, the utilization of the vessels was well ahead of last year.

The Wuxi Qianhui Sewage Treatment Plant ("Plant") performed well in 2008. Upgrading works were also completed to meet with the new national discharge standards. With a steady increase in population, the average inflow increased occasionally peaking at 20,000 tonnes per day towards the end of 2008. It is anticipated that the Plant will reach its designed capacity during 2009 and as a result, Build King may explore the opportunities with the County Government to undertake a second phase extension.

Given the success of the business models adopted in both the Plant and the associated sewage pipeline networks, Build King will focus more on this market segment in 2009.

As of the date of this report, the aggregate outstanding value of contracts is approximately HK$1,151 million.

Quarrying

For the year ended 31st December, 2008, the quarrying division recorded revenue of HK$36 million (2007: HK$29 million) and a net profit of HK$17 million (2007: HK$4 million). Included in the profit for the current year, there was a one-off compensation income of HK$11 million received from the local government for early termination of our quarry rights of a quarry in Shanghai.

The total tonnage of quarry materials sold in 2008 was 757,000 tonnes, a slight increase of 5% compared with that of 2007. Despite the significant increase in prices of raw materials in the PRC, particularly the diesel cost, the division still achieved moderate improvement in profit for the year, resulting from the cost control measures exercised and the remarkable performance of the quarrying staff.

In 2009, it is not anticipated that the quarrying division will have significant improvement in sale revenue and profit contribution to the Group. The demand for quarry materials will not be substantially increased right away in 2009 even though the Hong Kong Government will increase its expenditure on infrastructure in the coming years.


Quarry

BUSINESS REVIEW (Cont'd)

Bio-technology

For the year ended 31st December, 2008, the revenue of the bio-technology division was HK$51 million (2007: HK$35 million). The division recorded a net loss of HK$24 million (2007: HK$22 million), which included an impairment loss of HK$12 million (2007: HK$9 million) for the fixed assets with reference to the sale price of the disposal of the business by the Group as announced in March 2009.

In 2008, the bio-technology division recorded an increase in revenue by 43.5%. However, the division has continued to record a loss mainly due to the unsatisfactory profit margin from the product mix, coupled with the surge in raw material and other operating cost during the year. With tight quality control, the division managed to reduce the amount of returned goods due to quality problem. The sales team has grown moderately during the year to meet the increased sales and demand from customers. The division continued its effort to carefully manage its cashflow during the year to improve its cash position.

In the past few years, the division has experienced considerable losses from its operation and the Group has also made substantial provisions for the fixed assets and inventory of the division. The Board is of the view that the Group should concentrate its resources in other business divisions of the Group and decided to dispose of the bio-technology division. In March 2009, the Group entered into an agreement with an independent third party to dispose of the division at HK$19 million. The Group incurred a loss of approximately HK$12 million from the disposal, hence made an impairment loss of the same amount for the fixed assets in 2008.

North American Ginseng

For the year ended 31st December, 2008, Chai-Na-Ta Corp. ("CNT"), an associate of the Group in Canada, reported revenue of C$9.2 million (2007: C$7.6 million) and a net loss of C$4.7 million (2007: C$3.3 million). In anticipation of untenable low price in 2009, CNT incurred write-downs of C$3.0 million for inventory and ginseng crops (2007: C$2.7 million) in 2008. The Group shared its loss of HK$9 million (2007: HK$9 million) for the year. As of the date of this report, the Group holds 38.1% interest in CNT.

In 2008, CNT harvested 224 acres and 126 acres of ginseng from its farms in British Columbia and in Ontario respectively for a total yield of about 988,000 lbs (2007: 919,000 lbs). CNT is on track with its plan for the last year harvest in British Columbia leaving its farms remain in Ontario from 2009 onward. Although the Canadian dollar weakened against the Hong Kong dollar and Renminbi during 2008, CNT still experienced a much slower than expected market in 2008.


Bio-Technology

BUSINESS REVIEW (Cont'd)

North American Ginseng (Cont'd)

In view of the recent global economic crisis that has dramatically altered the landscape in which all companies operate, and deteriorated the purchasing power of customers, CNT would cautiously re-assess its planting strategy in 2009 and beyond.

The Group does not intend to put any extra financial resources into this operation, and if CNT cannot stand on its feet, the Company will have no option but to divest.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 31st December, 2008, the Group had net current liabilities of HK$154 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 reduced from HK$443 million to HK$356 million with the maturity profile summarised as follows:

	As at 31st December,	
	2008	2007
	HK$'million	*HK$'million*
Within one year	**279**	335
In the second year	**39**	17
In the third to fifth year inclusive	**38**	91
	356	443

FINANCIAL REVIEW (Cont'd)

Liquidity and Financial Resources (Cont'd)

(a) In respect of bank loans with carrying amounts of HK$75 million as at 31st December, 2008, the Group breached certain terms of the bank loans, which are primarily related to its debt-equity ratio and current ratio. The non-current portion of the bank loans amounting to HK$17 million has 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 of HK$53 million (2007: HK$54 million) that was designated as at fair value through profit or loss upon initial recognition and was measured at fair value based on the valuation provided by the counterparty at 31st December, 2008. As at 31st December, 2008, change in its fair value as compared with the net amount of the upfront payment received less the repayment made was HK$15 million (2007: HK$4 million). Increase in fair value of HK$11 million during the year has been charged to the consolidated income statement. The structured borrowing is denominated in United States dollars.

(c) Included a margin loan of HK$9 million (2007: HK$22 million) secured by certain shares of Road King.

Other than the fixed rate borrowings of HK$0.4 million carrying interest ranging from 8.52% to 9.39% per annum, the remaining bank loans are variable-rate borrowings carrying interest ranging from 1.80% to 7.90% per annum.

As at 31st December, 2008, the Group's cash and bank balances amounted to HK$63 million (2007: HK$88 million), of which bank deposits amounting to HK$1 million (2007: HK$2 million) were pledged to banks for securing the banking facilities granted to the Group.

For the year ended 31st December, 2008, the Group recorded finance expenses of HK$16 million (2007: HK$22 million).

As at 31st December, 2008, a portfolio of held-for-trading investments were stated at their fair values in a total amount of HK$29 million (2007: HK$123 million), majority of which were equity securities listed in Hong Kong. Certain equity securities with market value of HK$9 million (2007: HK$41 million) were pledged to a bank to secure general banking facilities granted to the Group. For the year ended 31st December, 2008, the Group recorded a net loss (in consideration of change in fair value and dividend income received) of HK$56 million (2007: a net gain of HK$52 million) from these investments, of which a net loss of HK$47 million (2007: a net gain of HK$40 million) was derived from the securities invested by Build King.

FINANCIAL REVIEW (Cont'd)

Liquidity and Financial Resources (Cont'd)

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

Capital Structure and Gearing Ratio

As at 31st December, 2008, the equity attributable to equity holders amounted to HK$3,586 million, representing HK$4.52 per share (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 year after deduction of dividend 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 8.2% (2007: 10.9%) at the balance sheet date.

Pledge of Assets

As at 31st December, 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 Bonds

As at 31st December, 2008, the Group had outstanding tender/performance bonds for construction contracts amounting to HK$128 million (2007: HK$122 million).

FUTURE OUTLOOK

With the global financial turmoil and general slowdown of the world economy, the Board holds positive but cautious view on the outlook of the Group. As most of the Group's activities and income are generated from businesses in the PRC, the Board believes that the Group will experience considerable but surmountable difficulties this year as the PRC is generally considered as one of the economies that will first recover from the world economic downturn.

FUTURE OUTLOOK (Cont'd)

The Board, together with the effort of its dedicated staff, will continue to manage the existing businesses and any new investment of the Group prudently in order to maximize their value to the Group and to our shareholders.

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

2nd April, 2009

EXECUTIVE DIRECTORS

ZEN Wei Pao, William, age 61, 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 40 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 56, 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 from 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 45, was appointed as an Executive Director in June 2007. He joined the Group in October 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 45, was appointed as an Executive Director in June 2005. She joined the Group in April 1995. 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 46, was appointed as a Non-executive Director in September 2000. 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 52, 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 30 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 51, 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 58, 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 57, 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 was previously Managing Partner 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 44, 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. Mr. Wong has tendered his resignation as the 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

CHANG Kam Chuen, Desmond, age 43, joined the Group in May 1997 and is now an Executive Director, 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 Chartered Institute of Management Accountants, UK. He has over 20 years of experience in accounting profession and financial management. Mr. Chang is responsible for the financial, human resources, administration and secretarial departments of Build King.

CHEUNG Siu Lun, age 58, joined the Group in 2006. He is a Director of Kaden Construction Limited ("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 35 years of experience in both civil engineering and building construction. He is responsible for Build King's building projects in Hong Kong and operation of China Market.

LUI Yau Chun, Paul, age 48, 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 of Leader Marine Contractors Limited, 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 25 years of experience in civil and marine engineering. 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. Mr. Lui is responsible for Build King's business development and operation in the Middle East.

LIU Sing Pang, Simon, age 47, is a Director and the General Manager of Kaden, a Director of Leader Civil Engineering Corporation Limited and a Director of WKC&T. He is a Member of the Institution of Structural Engineers. He has over 20 years of experience in civil engineering and building construction. He is a council member of the Hong Kong Construction Association. He is responsible for Build King's civil engineering operation in Hong Kong.

CHEUNG Kwan Man, Edmond, age 53, 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 for 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.

SENIOR MANAGEMENT (Cont'd)

YAM Tin Chun, Martin, age 48, 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 45, 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, 2008. 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, 2008.

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 22 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 (Cont'd)

The Board holds four regular meetings per year and additional meetings are arranged if and when required. During the year, seven 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	86%
Zen Wei Peu, Derek *(Vice Chairman)*	7	100%
Wong Wing Cheung, Dennis *(Finance Director)*	7	100%
Chiu Wai Yee, Anriena	7	100%
Non-executive Directors:		
Lam Wai Hon, Patrick	7	100%
Chu Tat Chi	5	71%
Cheng Chi Pang, Leslie	7	100%
Independent Non-executive Directors:		
Wong Che Ming, Steve	7	100%
Wan Siu Kau, Samuel	7	100%
Wong Man Chung, Francis	7	100%

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.

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

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

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.

REMUNERATION OF DIRECTORS (Cont'd)

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.

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%

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.

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 and Group Financial Controller), internal auditor and the external auditor 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 system.

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.

AUDIT COMMITTEE (Cont'd)

During the year, the Audit Committee held three 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)*	3	100%
Wong Che Ming, Steve	3	100%
Wan Siu Kau, Samuel	3	100%

AUDITOR'S REMUNERATION

During the year, Messrs. Deloitte Touche Tohmatsu provided statutory audit services amounting to approximately HK$3,833,000 and tax and consulting services amounting to HK$311,900.

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 pages 45 to 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 internal control system. 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.

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.

INTERNAL CONTROL (Cont'd)

The internal control system 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 auditor 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, 2008.

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 57, 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, 2008, the five largest customers of the Group together accounted for approximately 75% of the Group's revenue, with the largest customer accounted for 43%, 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, 2008 are set out in the consolidated income statement on page 48.

No interim dividend was paid to shareholders during the year. The Directors do not recommend the payment of a final dividend for the year ended 31st December, 2008. The amount of dividend paid for the year is 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 51.

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 146 to 147.

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 48 and 51 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 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)*
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 (Cont'd)

In accordance with bye-laws 87 of the Company's Bye-laws, Mr. Zen Wei Pao, William, Miss Chiu Wai Yee, Anriena, Mr. Chu Tat Chi and Mr. Wan Siu Kau, Samuel 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, 2008, 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, 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 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 (Cont'd)

(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 (Cont'd)

(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)*	—	0.15 *(Note 3)*
	Road King Infrastructure Limited	Personal	500,000 *(Note 1)*	—	0.07 *(Note 4)*
		Personal	6,000,000 *(Note 2)*	—	0.81 *(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)*	—	11.55
	Chai-Na-Ta Corp.	Personal	253,728 *(Note 1)*	—	0.73
	Road King Infrastructure Limited	Personal	6,756,000 *(Note 1)*	—	0.91 *(Note 4)*
		Personal	2,300,000 *(Note 2)*	—	0.31 *(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 Long position	Short position	Percentage of the issued ordinary share capital
					(%)
Chiu Wai Yee, Anriena	Build King Holdings Limited	Personal	837,000 *(Note 1)*	—	0.09 *(Note 3)*
	Chai-Na-Ta Corp.	Personal	1,920 *(Note 1)*	—	0.01
	Road King Infrastructure Limited	Personal Personal	105,000 *(Note 1)* 500,000 *(Note 2)*	— —	0.01 0.07
Lam Wai Hon, Patrick	Build King Holdings Limited	Personal	140,000 *(Note 1)*	—	0.02
Chu Tat Chi	Road King Infrastructure Limited	Personal	515,000 *(Note 1)*	—	0.07
Cheng Chi Pang, Leslie	Build King Holdings Limited	Personal	1,170,000 *(Note 1)*	—	0.13 *(Note 3)*
Wong Che Ming, Steve	Build King Holdings Limited	Personal	311,225 *(Note 1)*	—	0.03 *(Note 3)*

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, 2008, the issued share capital of Build King was 931,408,494 shares. Accordingly, the percentage has been adjusted.

4. As at 31st December, 2008, the issued share capital of Road King was 738,926,566 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, 180,000 share options were lapsed.

Details of the Share Option Scheme are set out in note 51 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 have been 6,160,000 share options granted under the Share Option Scheme, 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 1.1.2008**	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**Balance at 31.12.2008**
			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 (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 year	Exercised during the year	Lapsed during the year	Balance at 31.12.2008
			HK$					
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	—	—	(180,000)	1,210,000
Sub-total				1,390,000	—	—	(180,000)	1,210,000
Total				**6,010,000**	**–**	**–**	**(180,000)**	**5,830,000**

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 31st December, 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 year are as follows:

				Number of share options				
Name of Director	Date of grant	Exercisable period	Exercise price	Balance at 1.1.2008	Granted during the year	Exercised during the year*	Lapsed during the year	Balance at 31.12.2008
			HK$					
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 1.1.2008	Granted during the year	Exercised during the year*	Lapsed during the year	Balance at 31.12.2008
			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)**	**(105,000)**	**8,800,000**

* 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.

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, 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.

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, 2008.

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$188,000.

EMPLOYEES AND REMUNERATION POLICIES

As at 31st December, 2008, the Group had 1,128 employees (2007: 1,305 employees), of which 662 (2007: 911) were located in Hong Kong, 317 (2007: 317) were located in Mainland China, 8 (2007: 11) were located in Taiwan and 141 (2007: 66) were located in UAE. For the year ended 31st December, 2008, the Group's total staff costs were about HK$221 million (2007: HK$240 million).

Competitive remuneration packages are structured to commensurate with individual responsibilities, qualification, experience and performance. In addition, discretionary bonuses may be paid depending upon the financial performance of the Group as well as that of the individual.

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

2nd April, 2009

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 48 to 145, which comprise the consolidated balance sheet as at 31st December, 2008, and the consolidated income statement, consolidated statement of changes in equity and 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 Companies Act of Bermuda, 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, 2008 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 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. In January 2009, Road King received a notice from Tianjin authorities advising that their investigation was completed. Based on the advice of Road King's legal counsel in the People's Republic of China ("PRC''), it is highly probable that Road King could lift the suspension of the legal proceedings, which 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 counsel, 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. Based on the impairment review on the investments in the Tianjin Companies as set out in note 24(c), in the opinion of the directors of Road King, no impairment on the investment cost in the Tianjin Companies is considered 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 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$632,787,000 as at 31st December, 2008; and

- the bank seeking payment from Road King in relation to credit facilities to the Tianjin Companies amounting to HK$337,079,000 as at 31st December, 2008 which have 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 and the properties pledged by the Tianjin Companies are insufficient to cover the credit facilities by the maturity dates 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 and HK$20,337,000 as at the date the credit facilities were renewed in July 2008, no provision for any liability or impairment that may result has been made in Road King's 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 interest in associates.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
2nd April, 2009

Consolidated Income Statement

For the year ended 31st December, 2008

	Notes	**2008** HK$'000	2007 (Restated) HK$'000
Group revenue	6	**837,434**	871,679
Cost of sales		**(848,617)**	(835,110)
Gross (loss) profit		**(11,183)**	36,569
Other income	8	**58,521**	32,805
Investment income, gains and losses	9	**(56,136)**	49,264
Selling and distribution costs		**(8,846)**	(9,359)
Administrative expenses		**(131,568)**	(116,361)
Impairment loss recognised in respect of property, plant and equipment	19	**(12,000)**	(9,000)
Change in fair value of structured borrowing	42	**(11,251)**	6,539
Finance costs	10	**(15,537)**	(21,657)
Net (loss) gain on deemed disposal of partial interest in an associate	11	**(105)**	23,159
Discount on deemed acquisition of additional interest in an associate	12	**48,810**	—
Share of results of associates	24	**230,743**	319,874
Share of results of jointly controlled entities	25	**26,572**	29,045
Profit before tax	13	**118,020**	340,878
Income tax credit (expense)	16	**113**	(6,834)
Profit for the year		**118,133**	334,044
Attributable to:			
Equity holders of the Company		**161,392**	328,431
Minority interests		**(43,259)**	5,613
Profit for the year		**118,133**	334,044
Dividends	17	**47,587**	95,175
		HK cents	*HK cents*
Earnings per share	18		
— Basic		**20.35**	41.41
— Diluted		**20.32**	40.94

	Notes	2008 HK$'000	2007 (Restated) HK$'000
Non-current assets			
Property, plant and equipment	19	**35,133**	31,049
Prepaid lease payments on land use rights	20	**5,761**	5,602
Intangible assets	21	**32,858**	32,858
Goodwill	22	**29,838**	35,473
Interests in associates	24	**3,677,758**	3,286,397
Interests in jointly controlled entities	25	**62,946**	82,949
Available-for-sale investments	26	**—**	—
Prepaid royalties	27	**979**	2,621
Loan receivable	28	**3,408**	—
Other financial assets	29	**47,505**	47,320
		3,896,186	3,524,269
Current assets			
Prepaid lease payments on land use rights	20	**134**	127
Prepaid royalties	27	**2,337**	2,840
Finance lease receivables	30	**—**	271
Inventories	31	**18,563**	20,250
Amounts due from customers for contract work	32	**151,821**	80,322
Debtors, deposits and prepayments	33	**254,810**	288,448
Amounts due from associates	34	**7,182**	575
Amounts due from jointly controlled entities	34	**21,889**	14,732
Tax recoverable		**1,239**	2,673
Held-for-trading investments	35	**28,566**	122,729
Pledged bank deposits	36	**1,013**	2,058
Bank balances and cash	36	**61,707**	86,377
		549,261	621,402
Current liabilities			
Amounts due to customers for contract work	32	**75,867**	19,889
Creditors and accrued charges	37	**323,368**	283,764
Amounts due to jointly controlled entities	38	**14,270**	3,974
Amounts due to associates	38	**6,632**	7,682
Amount due to a related company	38	**546**	452
Amounts due to minority shareholders	38	**3,359**	3,359
Tax liabilities		**1,179**	12,496
Loans from a director	39	**10,000**	—
Other borrowings — due within one year	40	**11,005**	21,697
Bank loans — due within one year	41	**240,273**	298,189
Structured borrowing	42	**12,480**	12,480
Bank overdrafts, secured	36	**4,749**	2,110
		703,728	666,092
Net current liabilities		**(154,467)**	(44,690)
Total assets less current liabilities		**3,741,719**	3,479,579

	Notes	2008 HK$'000	2007 (Restated) HK$'000
Non-current liabilities			
Deferred tax liabilities	43	**5,750**	5,921
Obligations in excess of interest in associates	24	**20,453**	21,910
Loan from a shareholder	44	**—**	30,000
Loans from minority shareholders	45	**1,460**	960
Amount due to an associate	46	**9,800**	10,686
Amounts due to jointly controlled entities	47	**4,067**	4,067
Other borrowings	40	**115**	82
Bank loans	41	**36,480**	36,394
Structured borrowing	42	**40,541**	41,770
		118,666	151,790
Total net assets		**3,623,053**	3,327,789
Capital and reserves			
Share capital	48	**79,312**	79,312
Share premium and reserves		**3,506,764**	3,173,738
Equity attributable to equity holders of the Company		**3,586,076**	3,253,050
Minority interests		**36,977**	74,739
Total equity		**3,623,053**	3,327,789

The consolidated financial statements on pages 48 to 145 were approved and authorised for issue by the Board of Directors on 2nd April, 2009 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, 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 change in accounting policies	–	–	–	–	–	–	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
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 (restated)	–	–	–	–	–	–	328,431	328,431	5,613	334,044
Total recognised income and expense for the year	–	–	182,974	–	–	–	328,431	511,405	9,056	520,461
Sub-total	79,312	731,906	288,346	(29,530)	–	2,319	2,274,055	3,346,408	77,973	3,424,381
Recognition of equity-settled share-based payments	–	–	–	–	1,793	–	–	1,793	–	1,793
Acquisition of additional Interest in a subsidiary	–	–	–	–	–	–	–	–	(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 (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	–	–	11,811	–	–	–	–	11,811	1,950	13,761
Realised on disposal on a jointly controlled entity	–	–	(1,254)	–	–	–	–	(1,254)	–	(1,254)
Share of reserves of associates	–	–	203,358	–	–	–	–	203,358	–	203,358
Net income recognised directly in equity	–	–	213,915	–	–	–	–	213,915	1,950	215,865
Profit for the year	–	–	–	–	–	–	161,392	161,392	(43,259)	118,133
Total recognised income and expense for the year	–	–	213,915	–	–	–	161,392	375,307	(41,309)	333,998
Sub-total	79,312	731,906	502,261	(29,530)	1,793	2,319	2,340,296	3,628,357	33,430	3,661,787
Recognition of equity-settled share-based payments	–	–	–	–	1,600	–	–	1,600	–	1,600
Capital contribution from a minority shareholder	–	–	–	–	–	–	–	–	1,250	1,250
Acquisition of additional interest in a subsidiary	–	–	–	–	–	–	–	–	(3,984)	(3,984)
Forfeiture of share options issued by an associate	–	–	–	–	–	–	3,706	3,706	–	3,706
Disposal of partial interest in a subsidiary	–	–	–	–	–	–	–	–	6,281	6,281
Dividend paid	–	–	–	–	–	–	(47,587)	(47,587)	–	(47,587)
At 31st December, 2008	**79,312**	**731,906**	**502,261**	**(29,530)**	**3,393**	**2,319**	**2,296,415**	**3,586,076**	**36,977**	**3,623,053**

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.

	2008	2007
		(Restated)
	HK$'000	*HK$'000*
Operating activities		
Profit before tax	**118,020**	340,878
Adjustments for:		
Finance costs	**15,537**	21,657
Share of results of associates	**(230,743)**	(319,874)
Share of results of jointly controlled entities	**(26,572)**	(29,045)
Depreciation	**13,239**	12,364
Amortisation of prepaid lease payments on land use rights	**122**	122
Net loss (gain) on deemed disposal of partial interest in an associate	**105**	(23,159)
Gain on disposal of partial interest in an associate	**—**	(294)
Loss (gain) on disposals of partial interest in a subsidiary	**5,481**	(2,585)
Loss on disposal of interest in a jointly controlled entity	**1,972**	—
Discount on acquisition of additional interest in a subsidiary	**(3,984)**	(3,050)
Discount on deemed acquisition of additional interest in an associate	**(48,810)**	—
Interest on bank deposits	**(350)**	(1,023)
Interest on finance lease receivables	**(7)**	(28)
Interest on loans and other receivables	**(411)**	(3,885)
Interest on other financial assets	**(1,853)**	(1,750)
Dividend income from held-for-trading investments	**(3,605)**	(3,546)
Gain on disposal of property, plant and equipment, net	**(14,776)**	(3,262)
Change in fair value of held-for-trading investments	**59,741**	(48,286)
Change in fair value of structured borrowing	**11,251**	(6,539)
Impairment loss recognised in respect of property, plant and equipment	**12,000**	9,000
Impairment loss on available-for-sale investments	**—**	2,568
Write-down of inventories	**3,723**	—
(Reversal of) allowance for doubtful debts, net	**(2,758)**	1,247
Bad debts written off	**104**	1,517
Share-based payments	**1,600**	1,793
Operating cash flows before movements in working capital	**(90,974)**	(55,180)
Decrease (increase) in other financial assets	**1,577**	(598)
Increase in inventories	**(1,092)**	(370)
Increase in amounts due from customers for contract work	**(71,414)**	(22,602)
Decrease in debtors, deposits and prepayments and prepaid royalties	**41,392**	19,217
Decrease in held-for-trading investments	**34,422**	28,024
Increase in amounts due to customers for contract work	**55,978**	18,795
Increase in creditors and accrued charges	**43,552**	2,143
Cash from (used in) operations	**13,441**	(10,571)
Income taxes (paid) refunded	**(9,941)**	9,819
Net cash from (used in) operating activities	**3,500**	(752)

	2008	2007
		(Restated)
	HK$'000	HK$'000
Investing activities		
Interest on bank deposits received	**350**	1,023
Interest on loans and other receivables received	**411**	4,607
Interest on finance lease receivables received	**7**	28
Interest on other financial assets	**1,853**	1,750
Distribution of profits from jointly controlled entities	**35,267**	22,981
Dividends received from associates	**93,695**	139,095
Dividend income from held-for-trading investments	**3,605**	3,546
(Advances to) repayment from associates	**(6,607)**	1,442
Repayment from (advances to) jointly controlled entities	**3,350**	(603)
Increase in investments in associates	**—**	(159,949)
Acquisition of additional interest in a subsidiary	**—**	(663)
Capital contribution to a jointly controlled entity	**—**	(12,197)
Proceeds from disposal of partial interest in an associate	**—**	2,252
Proceeds from disposal of partial interest in a subsidiary	**6,435**	4,052
Proceeds from disposal of interest in a jointly controlled entity	**9,422**	—
Proceeds from disposal of available-for-sale investments	**—**	3,127
Proceeds from disposal of property, plant and equipment	**15,345**	6,766
Decrease in pledged bank deposits	**1,045**	4,634
Purchase of property, plant and equipment	**(28,595)**	(12,106)
Repayment of finance lease receivables	**271**	389
Increase in loans receivable	**(3,314)**	—
Net cash from investing activities	**132,540**	10,174
Financing activities		
Interest paid on bank and other borrowings	**(15,443)**	(21,205)
Capital contribution from a minority shareholder of a subsidiary	**1,250**	—
New bank loans raised	**88,790**	218,106
Loan from a shareholder	**—**	30,000
Loans from a director	**10,000**	—
Other borrowings raised	**12,922**	21,773
Repayment of bank loans	**(146,620)**	(123,043)
Repayment of loan from a shareholder	**(30,000)**	—
Repayment of other borrowings	**(23,581)**	(20)
Repayment of structured borrowing	**(12,480)**	(12,480)
Dividends paid	**(47,587)**	(95,175)
Distribution to minority shareholders of a subsidiary	**—**	(511)
Repayment to a related company	**—**	(12,256)
Repayment to jointly controlled entities	**—**	(25,376)
Repayment to associates	**(1,936)**	(1,229)
Advances from minority shareholders	**500**	811
Net cash used in financing activities	**(164,185)**	(20,605)
Net decrease in cash and cash equivalents	**(28,145)**	(11,183)
Cash and cash equivalents at the beginning of the year	**84,267**	98,089
Effect of foreign exchange rate changes, net	**836**	(2,639)
Cash and cash equivalents at the end of the year	**56,958**	84,267
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	**61,707**	86,377
Bank overdrafts	**(4,749)**	(2,110)
	56,958	84,267

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 57, 24 and 25 respectively.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that as at 31st December, 2008, the Group's current liabilities exceeded its current assets by HK$154,467,000. As at 31st December, 2008, the Group had bank loans and overdrafts, structured borrowing and other borrowings totaling HK$345,643,000 of which HK$268,507,000 has been classified as current liabilities. Bank loans amounting to HK$16,734,000 were classified as current liabilities as the terms of the bank loans were breached as disclosed in note 41. Subsequent to the balance sheet date, the Group received waiver letters from the relevant lenders which confirmed that the lenders agreed to waive the right to demand for immediate repayment. In addition, the directors of the Company believe that the revolving bank loans can be renewed on an annual basis.

As at 31st December, 2008, the Group held 38.342% equity interest in an associate which are marketable securities and with market value of HK$818,787,000.

The directors of the Company are of the opinion that, taking into account of the internally generated funds of the Group, the presently available banking facilities and the availability of marketable securities that can be disposed of, if necessary, 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 the following amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) — Int 11	HKFRS 2 — Group and Treasury Share Transactions
HK(IFRIC) — Int 12	Service Concession Arrangements
HK(IFRIC) — Int 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The application of the new HKFRSs, 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 year, the Group has applied HK(IFRIC) — Int 12 "Service Concession Arrangements" which is effective for annual periods beginning on or after 1st January, 2008. 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.

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.

In prior periods, the Group's sewage treatment plant, which includes construction costs incurred on sewage treatment plant work which entitle the Group to 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 when it is available for intended use of the sewage treatment on a straight line basis.

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

In the current year, the Group applied this interpretation retrospectively and the financial impact on application of this interpretation is summarised below.

Summary of the effects of the changes in accounting policies

The effect of changes in accounting policies described above on the results for the current and prior years by line items are as follows:

	2008	2007
	HK$'000	*HK$'000*
Decrease in revenue	**(3,863)**	(1,411)
Increase in interest income on other financial assets	**1,853**	1,750
Decrease in depreciation expense	**2,901**	3,861
Increase in profit for the year	**891**	4,200

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Cont'd)

Service concession arrangements (Cont'd)

Summary of the effects of the changes in accounting policies (Cont'd)

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

	2008	2007
	HK$'000	*HK$'000*
Decrease in revenue	**(3,863)**	(1,411)
Decrease in cost of sales	**1,807**	3,008
Increase in other income	**1,853**	1,750
Decrease in administrative expenses	**1,094**	853
Increase in profit for the year	**891**	4,200

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

	As at 31st December, 2007		
	Originally stated	Adjustments	Restated
	HK$'000	*HK$'000*	*HK$'000*
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

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Cont'd)

Service concession arrangements (Cont'd)

Summary of the effects of the changes in accounting policies (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	Adjustments	Restated
	HK$'000	*HK$'000*	*HK$'000*
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 year are as follows:

Impact on basic earnings per share:

	2007
	HK cents
Before adjustments	41.12
Adjustments arising from changes in accounting policies	0.29
Restated	41.41

Impact on diluted earnings per share:

	2007
	HK cents
Before adjustments	40.65
Adjustments arising from changes in accounting policies	0.29
Restated	40.94

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Cont'd)

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

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
HKAS 39 (Amendment)	Eligible Hedged Items[3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[2]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments[2]
HKFRS 8	Operating Segments[2]
HK(IFRIC) — Int 9 & HKAS 39 (Amendments)	Embedded Derivatives[4]
HK(IFRIC) — Int 13	Customer Loyalty Programmes[5]
HK(IFRIC) — Int 15	Agreements for the Construction of Real Estate[2]
HK(IFRIC) — Int 16	Hedges of a Net Investment in a Foreign Operation[6]
HK(IFRIC) — Int 17	Distribution of Non-cash Assets to Owners[3]
HK(IFRIC) — Int 18	Transfers of Assets from Customers[7]

[1] Effective for annual periods beginning on or after 1st January, 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1st July, 2009
[2] Effective for annual periods beginning on or after 1st January, 2009
[3] Effective for annual periods beginning on or after 1st July, 2009
[4] Effective for annual periods ending on or after 30th June, 2009
[5] Effective for annual periods beginning on or after 1st July, 2008
[6] Effective for annual periods beginning on or after 1st October, 2008
[7] Effective for transfers on or after 1st July, 2009

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1st January, 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretation 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 on 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 HKFRSs 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 assets 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 (Cont'd)

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.

Acquisition of additional interest in a subsidiary

When the Group increases its interest in an entity that is already controlled by the Group, goodwill arising on such acquisition represents the difference between the cost of additional interest acquired and the increase in the Group's share of the fair value of the identifiable assets, liabilities and contingent liabilities acquired. No revaluation surplus or deficit on revaluing all of the identifiable assets, liabilities and contingent liabilities of the subsidiary is recognised in the consolidated balance sheet. The difference between the consideration paid and the aggregate of goodwill and the book value of the net assets attributable to the additional interest acquired is recognised as reserve movement. This difference represents the portion of the revaluation difference that arose since the original acquisition date that is attributable to the Group's increased interest in the subsidiary.

Any excess of the Group's share of the fair value of the net assets attributable to the additional interest acquired over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Goodwill

Goodwill arising on acquisition 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.

Goodwill arising on acquisition 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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.

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 been passed.

Service income, including that from operating service provided under service concession arrangements, 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 (Cont'd)

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 estimated 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).

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Investments in associates (Cont'd)

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Jointly controlled entities (Cont'd)

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.

Construction contracts

Where the outcome of a construction contract, including construction services of the infrastructure under a service concession arrangement 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".

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Service concession arrangements

A service concession arrangement is an arrangement whereby a government or other public sector body contracts with a private operator to develop (or upgrade), operate and maintain infrastructure assets. The grantor controls or regulates what services the operator must provide using the assets, to whom, and at what price, and also controls significant residual interest in the assets at the end of the term of the arrangement.

The Group, as an operator, recognises a financial asset as it has an unconditional contractual right to receive cash from or at the direction of the grantor for the construction services. The Group measures the financial asset at fair value on its initial recognition. At each balance sheet date subsequent to initial recognition, the financial asset is carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on financial assets below).

The Group recognises and measures revenue for the services in relation to the operation of the plant under a service concession arrangement in accordance with HKAS 11 "Construction Contracts" and HKAS 18 "Revenue".

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

— *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;
- 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.

— *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 loans receivable, other financial assets, finance lease receivables, debtors, amounts due from associates and jointly controlled entities, pledged bank deposits and bank balances and cash) 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).

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

— *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.

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

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Impairment of financial assets (Cont'd)

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

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.

— *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, bank overdrafts, and loans from a director, a shareholder and minority shareholders) are subsequently measured at amortised cost using the effective interest method.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial liabilities and equity instruments (Cont'd)

— *Equity instruments*

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

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

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.

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).

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Leasing (Cont'd)

The Group as lessee (Cont'd)

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.

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.

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 re-translated 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 re-translated.

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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 profit 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.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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.

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. CRITICAL ACCOUNTING JUDGMENTS AND 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 judgments, 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.

Critical judgments in applying the entity's accounting policies

Going concern basis

Although the Group had net current liabilities at the balance sheet date, the Group manages its liquidity risk by monitoring its current and expected liquidity requirements regularly and ensuring sufficient liquid cash and adequate committed lines of funding from reputable financial institutions to meet the Group's liquidity requirements in the short and long term. The directors consider the Group has no significant liquidity risk.

Key sources of estimation uncertainty

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.

Estimated impairment of intangible assets with indefinite useful lives arising from the acquisition of a subsidiary

Determining the recoverable amounts 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, 2008 at HK$32,858,000 (2007: HK$32,858,000) requires an estimation of the revenue generated from the acquired construction licenses. 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.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Cont'd)

Key sources of estimation uncertainty (Cont'd)

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, 2008, the carrying amount of goodwill is HK$29,838,000 (2007: HK$35,473,000). Details of the recoverable amount calculation are disclosed in note 23.

Income tax

As at 31st December, 2008, no deferred tax asset has been recognised in the Group's balance sheet in relation to unused tax losses of HK$498,850,000 (2007: 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.

Construction contracts

The Group recognised profits and losses from construction contracts, which are 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 judgments. 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. REVENUE

	2008 HK$'000	2007 (Restated) HK$'000
Group revenue	**837,434**	871,679
Share of revenue of jointly controlled entities	**214,412**	486,452
Group revenue and share of revenue of jointly controlled entities	**1,051,846**	1,358,131
Group revenue analysed by revenue from:		
Civil construction	**751,130**	798,475
Quarrying	**35,798**	29,496
Bio-technology	**50,506**	35,240
Others	**—**	8,468
	837,434	871,679

7. BUSINESS AND GEOGRAPHICAL SEGMENTS

The Group's revenue and profit for the year ended 31st December, 2008 and 2007 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 (Cont'd)

(a) Business segments (Cont'd)

	Civil construction HK$'000	Quarrying HK$'000	Bio-technology HK$'000	Property development HK$'000	Highway and expressway operations HK$'000	Others HK$'000	Elimination HK$'000	Total HK$'000
Year ended 31st December, 2008								
Revenue								
Group revenue	751,130	35,798	50,506	–	–	–	–	837,434
Inter-segment sales	–	–	–	–	–	78	(78)	–
Segment revenue	751,130	35,798	50,506	–	–	78	(78)	837,434
Results								
Segment results	(69,901)	19,154	(22,003)	–	–	(8,475)		(81,225)
Investment income, gains and losses								(56,136)
Unallocated net expenses								(35,102)
Finance costs								(15,537)
Share of results of associates	1,457	–	–	(8,553)	247,007	(9,168)		230,743
Share of results of jointly controlled entities	26,572	–	–	–	–	–		26,572
Net loss on deemed disposal of partial interest in an associate								(105)
Discount on deemed acquisition of additional interest in an associate								48,810
Profit before tax								118,020
Income tax credit								113
Profit for the year								118,133

Inter-segment sales are charged at prevailing market rates.

7. BUSINESS AND GEOGRAPHICAL SEGMENTS (Cont'd)

(a) Business segments (Cont'd)

	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, 2008							
Assets							
Segment assets	494,021	27,841	39,393	–	–	12,353	573,608
Interests in associates	–	–	–	2,387,177	1,290,421	160	3,677,758
Interests in jointly controlled entities	62,946	–	–	–	–	–	62,946
Unallocated corporate assets							131,135
Total consolidated assets							4,445,447
Liabilities							
Segment liabilities	377,861	16,736	24,506	–	–	23,326	442,429
Obligations in excess of interest in associates	20,453	–	–	–	–	–	20,453
Unallocated corporate liabilities							359,512
Total consolidated liabilities							822,394
Other information							
Capital additions	23,902	1,230	1,135	–	–	2,328	28,595
Amortisation of prepaid lease payments on land use rights	–	–	122	–	–	–	122
Allowance for doubtful debts	–	–	859	–	–	–	859
Bad debts written off	–	104	–	–	–	–	104
Depreciation	6,899	389	4,552	–	–	1,399	13,239
Reversal of allowance of doubtful debts	–	3,617	–	–	–	–	3,617
Impairment loss of property, plant and equipment	–	–	12,000	–	–	–	12,000
Gain on disposal of property, plant and equipment	11,676	2,835	265	–	–	–	14,776

7. BUSINESS AND GEOGRAPHICAL SEGMENTS (Cont'd)

(a) Business segments (Cont'd)

	Civil construction HK$'000	Quarrying HK$'000	Bio-technology HK$'000	Property development HK$'000	Highway and expressway operations HK$'000	Others HK$'000	Elimination HK$'000	Total HK$'000
Year ended 31st December, 2007 (restated)								
Revenue								
Group revenue	798,475	29,496	35,240	–	–	8,468	–	871,679
Inter-segment sales	–	40	–	–	–	–	(40)	–
Segment revenue	798,475	29,536	35,240	–	–	8,468	(40)	871,679
Results								
Segment results	(30,932)	4,104	(19,339)	–	–	8,550		(37,617)
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 disposal of partial interest in an associate								23,159
Profit before tax								340,878
Income tax expense								(6,834)
Profit for the year								334,044

Inter-segment sales are charged at prevailing market rates.

7. BUSINESS AND GEOGRAPHICAL SEGMENTS (Cont'd)

(a) Business segments (Cont'd)

	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, 2007 (restated)							
Assets							
Segment assets	477,042	19,926	44,179	—	—	5,762	546,909
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							229,416
Total consolidated assets							4,145,671
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	5,959	—	5,654	—	—	493	12,106
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	5,412	1,053	4,115	—	—	1,784	12,364
Impairment loss of property, plant and equipment	—	—	9,000	—	—	—	9,000
Gain on disposal of property, plant and equipment	192	2,842	—	—	—	228	3,262

7. BUSINESS AND GEOGRAPHICAL SEGMENTS (Cont'd)

(b) Geographical segments

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

	2008	2007 (Restated)
	HK$'000	*HK$'000*
Hong Kong Special Administrative Region ("HKSAR")	**745,107**	775,868
Other regions in the People's Republic of China ("PRC")	**57,044**	53,623
Middle East	**22,276**	18,038
Taiwan	**13,007**	24,150
	837,434	871,679

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**	
	2008	2007 (Restated)	**2008**	2007 (Restated)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets located in:				
HKSAR	**392,661**	316,680	**2,446**	1,801
Other regions in the PRC	**144,177**	196,303	**2,465**	5,654
Middle East	**34,668**	26,422	**23,318**	4,512
Taiwan	**2,102**	7,504	**366**	139
Total segment assets	**573,608**	546,909	**28,595**	12,106

8. OTHER INCOME

	2008	2007
	HK$'000	*HK$'000*
Other income includes:		
Discount on acquisition of additional interest in a subsidiary	**3,984**	3,050
Gain on disposal of property, plant and equipment, net	**14,776**	3,262
Interest on bank deposits	**350**	1,023
Interest on finance lease receivables	**7**	28
Interest on loans and other receivable	**411**	3,885
Interest on other financial assets	**1,853**	1,750
Reversal of allowance of doubtful debts	**3,617**	—
Compensation income in respect of early termination of quarry rights	**11,364**	—
Service income from associates for secretarial and management services rendered *(note)*	**19,756**	1,800
Gain on disposal of partial interest in an associate	**—**	294
Gain on disposal of partial interest in a subsidiary	**—**	2,585
Exchange gains, net	**—**	2,453

Note: Included in service income from associates is a management fee income of HK$19,000,000 received from an associate which represents its share of the associate's income arising from a write-back of provision.

9. INVESTMENT INCOME, GAINS AND LOSSES

	2008 HK$'000	2007 HK$'000
Change in fair value of held-for-trading investments	**(59,741)**	48,286
Dividend income from held-for-trading investments	**3,605**	3,546
Impairment loss on available-for-sale investments	**—**	(2,568)
	(56,136)	49,264

10. FINANCE COSTS

	2008 HK$'000	2007 HK$'000
Interest on:		
Bank and other borrowings wholly repayable within five years	**14,435**	20,869
Interest bearing amount due to an associate	**141**	141
Interest bearing amount due to a related company	**94**	452
Interest bearing loan from a shareholder	**404**	26
Interest bearing loans from a director	**243**	—
Imputed interest expense on non-current interest-free amount due to an associate	**220**	169
	15,537	21,657

11. NET (LOSS) GAIN ON DEEMED DISPOSAL OF PARTIAL INTEREST IN AN ASSOCIATE

	2008	2007
	HK$'000	*HK$'000*
(Loss) gain on deemed disposal of partial interest in an associate arising from:		
Placement of new shares	**—**	41,506
Exercise of options granted to its directors and employees	**(105)**	(18,347)
	(105)	23,159

During the year, 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 Group's interest in Road King was reduced in aggregate by 0.002% resulting in a total loss of HK$105,000.

During the year ended 31st December, 2007, Road King issued 45,000,000 ordinary shares at a price of HK$12.20 per share by placing to various investors, and also issued 17,570,000 ordinary shares at the weighted average exercise price of HK$6.90 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 3.34% resulting in a total net gain of HK$23,159,000.

12. DISCOUNT ON DEEMED ACQUISITION OF ADDITIONAL INTEREST IN AN ASSOCIATE

During the year, Road King repurchased and cancelled 13,760,000 ordinary shares. As a result, the interest of the Group in Road King was increased in aggregate by 0.701% resulting in a total gain of HK$48,810,000.

13. PROFIT BEFORE TAX

	2008	2007
		(Restated)
	HK$'000	*HK$'000*
Profit before tax has been arrived at after charging (crediting):		
Allowance for doubtful debts	**859**	1,247
Amortisation of prepaid lease payments on land use rights	**122**	122
Auditor's remuneration:		
Provision for the current year	**3,126**	3,282
Under(over)provision in prior years	**348**	(196)
	3,474	3,086
Bad debts written off	**104**	1,517
Depreciation:		
Owned assets	**13,286**	12,371
Assets held under finance lease arrangement	**38**	18
	13,324	12,389
Less: Amount attributable to construction contracts	**(85)**	(25)
	13,239	12,364
Exchange losses, net	**1,872**	—
Hire charges for plant and machinery	**28,216**	29,848
Less: Amount attributable to construction contracts	**(28,216)**	(29,341)
	—	507

13. PROFIT BEFORE TAX (Cont'd)

	2008	2007
		(Restated)
	HK$'000	*HK$'000*
Operating lease rentals in respect of land and buildings	**8,275**	7,231
Less: Amount attributable to construction contracts	**(1,014)**	(450)
	7,261	6,781
Impairment loss on available-for-sale investment	**—**	2,568
Loss on disposal of a jointly controlled entity	**1,972**	—
Loss on disposal of partial interest in a subsidiary	**5,481**	—
Share of tax charge of associates (included in share of results of associates)	**142,384**	135,743
Share of tax credit of jointly controlled entities (included in share of results of jointly controlled entities)	**(20)**	(3,297)
Staff costs:		
Directors' remuneration *(note 14)*	**10,091**	13,739
Other staff costs	**202,461**	215,012
Retirement benefits scheme contributions, excluding amounts included in directors' remuneration and net of forfeited contributions of HK$581,000 (2007: HK$523,000)	**8,516**	10,805
Share-based payments (exclude directors)	**256**	449
	221,324	240,005
Less: Amount attributable to construction contracts	**(146,415)**	(156,507)
	74,909	83,498
Write-down of inventories	**3,723**	—

14. DIRECTORS' REMUNERATION

The remuneration paid or payable to each of the ten (2007: ten) directors was as follows:

	Fee HK$'000	Salary and other benefits HK$'000	Performance related incentive payments HK$'000	Retirement benefits scheme contributions HK$'000	Share-based payments HK$'000	Total HK$'000
Year ended 31st December, 2008						
Executive directors:						
Zen Wei Pao, William	–	211	165	21	224	621
Zen Wei Peu, Derek	–	122	3,297	350	224	3,993
Wong Wing Cheung, Dennis	–	1,545	155	77	160	1,937
Chiu Wai Yee, Anriena	–	1,038	91	104	160	1,393
	–	2,916	3,708	552	768	7,944
Non-executive directors:						
Lam Wai Hon, Patrick *(note a)*	246	–	–	–	96	342
Cheng Chi Pang, Leslie *(note b)*	318	–	–	–	96	414
Chu Tat Chi	173	–	–	–	96	269
	737	–	–	–	288	1,025
Independent non-executive directors:						
Wong Che Ming, Steve	278	–	–	–	96	374
Wan Siu Kau, Samuel	278	–	–	–	96	374
Wong Man Chung, Francis	278	–	–	–	96	374
	834	–	–	–	288	1,122
	1,571	2,916	3,708	552	1,344	10,091

Notes:

(a) Included HK$73,000 fee as director of Build King Holdings Limited ("Build King").

(b) Included HK$145,000 fee as director of Build King.

14. DIRECTORS' REMUNERATION (Cont'd)

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

14. DIRECTORS' REMUNERATION (Cont'd)

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 the current and previous years.

15. EMPLOYEES' EMOLUMENTS

Details of the emoluments of the five highest paid individuals included two directors (2007: two directors) set out in note 14 above. The emoluments of the remaining three (2007: three) highest paid individuals are as follows:

	2008	2007
	HK$'000	*HK$'000*
Salary and other benefits	**6,073**	5,819
Retirement benefits scheme contributions	**421**	436
	6,494	6,255

The emoluments were within the following bands:

	Number of employees	
	2008	2007
HK$1,500,001 to HK$2,000,000	**1**	1
HK$2,000,001 to HK$2,500,000	**1**	2
HK$2,500,001 to HK$3,000,000	**1**	—

16. INCOME TAX (CREDIT) EXPENSE

	2008 *HK$'000*	2007 *HK$'000*
Income tax for the year		
Hong Kong	**22**	6,781
Other jurisdictions	**200**	165
	222	6,946
(Over)underprovision in prior years		
Hong Kong	**(167)**	(283)
Other jurisdictions	**3**	—
	(164)	(283)
Deferred tax *(note 43)*		
Current year	**(161)**	171
Effect of change in tax rate	**(10)**	—
	(171)	171
	(113)	6,834

On 26th June, 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 and reduced corporate profit tax rate from 17.5% to 16.5% which is effective from the year of assessment 2008/2009. Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profit for the year.

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

On 16th March, 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6th December, 2007, the State Council issued Implementation Regulation of the New Law. The New Law and Implementation Regulation changed the tax rate of the PRC subsidiaries to 25% from 1st January, 2008 onwards.

16. INCOME TAX (CREDIT) EXPENSE (Cont'd)

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

	2008	2007
		(Restated)
	HK$'000	*HK$'000*
Profit before tax	**118,020**	340,878
Income tax expense at the applicable rate of 16.5% (2007: 17.5%)	**19,473**	59,654
Tax effect of expenses not deductible for tax purpose	**26,419**	8,403
Tax effect of tax losses not recognised	**18,740**	16,489
Tax effect of income not taxable for tax purpose	**(16,065)**	(13,314)
Overprovision in prior years	**(164)**	(283)
Tax effect of utilisation of tax losses not previous recognised	**(5,776)**	(3,422)
Effect of different tax rates for the operations in other jurisdictions	**2**	(27)
Tax effect of share of results of associates	**(38,072)**	(55,978)
Tax effect of share of results of jointly controlled entities	**(4,384)**	(5,083)
Others	**(286)**	395
Income tax (credit) expense for the year	**(113)**	6,834

17. DIVIDENDS

	2008	2007
	HK$'000	*HK$'000*
Dividends paid and recognised as distributions during the year:		
2007 final dividend — HK6 cents (2007: 2006 final dividend — HK6 cents) per share	**47,587**	47,587
2008 interim dividend — Nil (2007: 2007 interim dividend — HK6 cents) per share	**—**	47,588
	47,587	95,175

The board of directors (the "Board") does not recommend the payment of a final dividend for the year ended 31st December, 2008.

A final dividend for the year ended 31st December, 2007 of HK6 cents per ordinary share was proposed by the directors and was approved by the shareholders in the annual general meeting. This final dividend has not been included as a liability in the consolidated financial statements for the year ended 31st December, 2007.

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:

	2008	2007
		(Restated)
	HK$'000	*HK$'000*
Earnings for the purpose of basic earnings per share	**161,392**	328,431
Effect of dilutive potential ordinary shares:		
Decrease in share of profit of an associate arising from exercise of share options issued by that associate	**(222)**	(3,694)
Earnings for the purpose of diluted earnings per share	**161,170**	324,737

	Number of shares	
	2008	2007
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 price of the Company's outstanding share options are higher than the average fair value per share, no dilution effect therefore has been accounted for.

No effect on dilutive potential ordinary share arising from convertible preference share capital of a subsidiary is presented as the exercise of the potential dilutive ordinary shares would result in an anti-dilution impact on the profit per ordinary share for the year ended 31st December, 2008.

19. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Vessels	Property and plant under construction	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
COST								
At 1st January, 2007								
As originally stated	68,536	12,433	225,664	26,830	9,963	84,993	41,079	469,498
Effects of changes in accounting policies	—	—	—	—	—	—	(41,079)	(41,079)
As restated	68,536	12,433	225,664	26,830	9,963	84,993	—	428,419
Exchange realignment	2,107	—	1,207	105	87	—	—	3,506
Additions	1,896	4	3,481	1,396	1,129	4,200	—	12,106
Disposals	—	—	(21,327)	(102)	(1,060)	(300)	—	(22,789)
At 31st December, 2007 (restated)	72,539	12,437	209,025	28,229	10,119	88,893	—	421,242
Exchange realignment	1,818	—	1,202	125	54	—	—	3,199
Transfer	—	—	16	(16)	—	—	—	—
Additions	455	1,644	2,468	699	34	23,295	—	28,595
Disposals	(88)	(1,456)	(58,981)	(960)	(1,442)	(17,601)	—	(80,528)
At 31st December, 2008	74,724	12,625	153,730	28,077	8,765	94,587	—	372,508
DEPRECIATION AND IMPAIRMENT								
At 1st January, 2007	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 (restated)	1,683	123	4,591	957	526	4,509	—	12,389
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 (restated)	62,007	12,333	200,013	25,946	8,313	81,581	—	390,193
Exchange realignment	921	—	790	79	27	—	—	1,817
Provided for the year	1,844	489	3,542	804	574	6,071	—	13,324
Impairment loss recognised	8,700	—	3,300	—	—	—	—	12,000
Eliminated on disposals	(39)	(1,456)	(58,592)	(960)	(1,311)	(17,601)	—	(79,959)
At 31st December, 2008	73,433	11,366	149,053	25,869	7,603	70,051	—	337,375
CARRYING VALUES								
At 31st December, 2008	**1,291**	**1,259**	**4,677**	**2,208**	**1,162**	**24,536**	**–**	**35,133**
At 31st December, 2007 (restated)	10,532	104	9,012	2,283	1,806	7,312	—	31,049

19. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

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 arrangement is HK$125,000 (2007: HK$79,000).

The Group has pledged certain motor vehicles with carrying value of HK$347,000 (2007: HK$626,000) to secure bank loans.

As disclosed in Note 56, the Group's bio-technology segment has been disposed of subsequent to the balance sheet date at the sale price agreed after arm's length negotiations with the purchaser. The Group carried out a review of the recoverable amount of its property, plant and equipment used in the Group's bio-technology segment as at 31st December, 2008 with reference to the sale price of the subsequent disposal of the Group's bio-technology segment. The review led to the recognition of an additional impairment loss of HK$12,000,000 (2007: HK$9,000,000), that has been recognised in the consolidated income statement.

20. PREPAID LEASE PAYMENTS ON LAND USE RIGHTS

	2008 ***HK$'000***	2007 *HK$'000*
Medium term leasehold land in the PRC	**5,895**	5,729
Analysed for reporting purposes as:		
Non-current asset	**5,761**	5,602
Current asset	**134**	127
	5,895	5,729

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 the 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 the 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 flows 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$5,635,000 (2007: HK$477,000) was released on disposal 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 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 subsidiary acquired in 2005, which holds the construction licences granted by the Works Branch, Development Bureau of the 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, 2008, 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 15% (2007: 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

	2008	2007
	HK$'000	*HK$'000*
Cost of investment in associates		
Listed in the HKSAR *(note i)*	**1,543,877**	1,543,877
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**	81,420
Share of post-acquisition profits, losses and reserves, net of dividends received	**1,995,130**	1,602,312
	3,657,305	3,264,487
Fair value of investments listed in the HKSAR	**818,787**	3,909,781
Quoted value of investments on OTCBB	**1,031**	2,062
Represented by:		
Interests in associates	**3,677,758**	3,286,397
Obligations in excess of interests in associates *(note ii)*	**(20,453)**	(21,910)
	3,657,305	3,264,487

Notes:

(i) Included in the cost of investment in associates is goodwill of HK$30,964,000 (2007: HK$30,964,000) arising on acquisition of additional interests in an associate during the year ended 31st December, 2007.

(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 (Cont'd)

Details of the principal associates of the Group at 31st December, 2008 and 2007 are as follows:

Name of associate	Form of business structure	Place of incorporation/ operation	Effective interest held by the Group 2008 %	2007 %	Principal activities
Chai-Na-Ta Corp. ("CNT") *(note a)*	Incorporated	Canada	**38.086**	38.086	Production and sales of North American ginseng
Hong Kong Landfill Restoration Group Limited	Incorporated	HKSAR	**17.654** *(note b)*	19.175 *(note b)*	Civil engineering
Road King Infrastructure Limited *(note c)*	Incorporated	Bermuda	**38.342**	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**	5.276	Property development

Notes:

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

(b) The Group holds the effective interest in the associate through Build King, the Company's 51.17% (2007: 55.58%) subsidiary whose shares are listed on the Main Board of the Stock Exchange. During the year, the Group's interest in Build King was reduced from 55.58% to 51.17%. As a result, the effective interest in the associate was reduced proportionally.

24. INTERESTS IN ASSOCIATES/OBLIGATIONS IN EXCESS OF INTERESTS IN ASSOCIATES (Cont'd)

Notes: (Cont'd)

(c) The following matters have been reported in the consolidated financial statements of Road King for the year ended 31st December, 2008:

On 11th January, 2007, Road King completed the acquisition of 49% equity interest in Sunco Property Holdings Company Limited ("Sunco Property") and thereon account for it as an associate. In July 2007, Road King had further acquired and subscribed 39.46% equity interest in Sunco Property. Thereafter, 88.46% equity interest in Sunco Property was held by Road King and Sunco Property became a subsidiary of Road King.

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, entered into sale and purchase agreements with certain subsidiaries of Sunco Real Estate Investment Limited ("Sunco Real Estate"), being the vendor, for the acquisition of, inter alia, 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$632,787,000). Sunco Real Estate was controlled by Mr. Sun Hongbin ("Mr. Sun"), the then major beneficial owner of Sunco Property prior to Road King's acquisitions of Sunco Property. 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.

Road King's PRC legal counsel has confirmed that the legal procedures in respect of the acquisition of the Tianjin Companies by Road King have been completed and the acquisition was legally enforceable under the relevant laws in the PRC. However, Road King had 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 had not yet allowed the representatives of Road King to access the office of the Tianjin Companies, and had not yet handed over the official seals, the books and records as well as other relevant documents 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 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.

In 2006, the PRC government had reinforced the compliance of regulation on idle land confiscation which was issued by the Ministry of Land and Resources of the PRC on 26th April, 1999. Certain land currently held by the Tianjin Companies may be potentially classified as idle land. The management of Road King has assessed the issue, and based on the legal advice, as long as Road King can resume the project development of Tianjin Companies shortly, the idle land confiscation and potential penalty charge will not be materialised.

24. INTERESTS IN ASSOCIATES/OBLIGATIONS IN EXCESS OF INTERESTS IN ASSOCIATES (Cont'd)

Notes: (Cont'd)

(c) (Cont'd)

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 the financial statements of the Tianjin Companies have not been consolidated into or equity accounted for in Road King's consolidated financial statements. Instead, the investments in the Tianjin Companies are accounted for as available-for-sale investments at each balance sheet date and have been recorded at cost less impairment as at 31st December, 2008 and 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 necessary.

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 had been temporarily suspended in 2008 on the basis that unspecified facts which related to those proceedings might overlap with unspecified matters under investigation by Tianjin authorities.

In January 2009, Road King received a notice advising that the investigation on a criminal accusation by Tianjin authorities was officially dismissed. Based on the advice of Road King's PRC legal counsel, it is highly probable that Road King will be able to lift the suspension of the legal proceedings, which will result in the effective continuation of Road King's legal proceedings to assume the effective control over the Tianjin Companies. The directors of Road King, based on advice of Road King's PRC legal counsel, 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, 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 as described above, amounting to HK$337,079,000 (2007: HK$315,789,000). The bank loans are secured by a pledge of the properties including land and properties under development for sale held by the Tianjin Companies.

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.

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 view that no impairment against the Group's interests in Road King is necessary.

24. INTERESTS IN ASSOCIATES/OBLIGATIONS IN EXCESS OF INTERESTS IN ASSOCIATES (Cont'd)

Notes: (Cont'd)

(d) The Group holds additional effective interests of 34.30% (2007: 33.30%) in Sunco Property through Road King.

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:

	2008 HK$'000	2007 HK$'000
Revenue	**4,758,151**	2,524,837
Profit for the year	**645,801**	841,953
Profit for the year attributable to the Group	**230,743**	319,874

Financial position:

	2008 HK$'000	2007 HK$'000
Non-current assets	**6,926,834**	6,067,546
Current assets	**14,181,926**	15,663,227
Current liabilities	**(5,621,133)**	(6,809,221)
Non-current liabilities	**(5,940,785)**	(6,238,980)
Net assets	**9,546,842**	8,682,572
Net assets attributable to the Group	**3,626,341**	3,233,523

25. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	2008 HK$'000	2007 HK$'000
Cost of investment in unlisted jointly controlled entities	**44,090**	53,484
Share of post-acquisition profits, net of dividends received	**18,856**	29,465
	62,946	82,949

At 31st December, 2008 and 2007, the Group had interests in the following principal jointly controlled entities:

Name of jointly controlled entity	Form of business structure	Place of incorporation or registration/ operation	Effective interest held by the Group 2008 %	Effective interest held by the Group 2007 %	Principal activities
ACC-Leader Joint Venture	Unincorporated	Middle East	**25.59** *(note a)*	27.79 *(note a)*	Civil engineering
China Railway Tenth Group Third Engineering Co., Ltd. *(note c)*	Incorporated	PRC	**25.07** *(note a)*	27.23 *(note a)*	Civil engineering
Hip Hing-Leader JV Limited	Incorporated	HKSAR	**17.06** *(notes a and b)*	18.53 *(notes a and b)*	Civil engineering
Kader-ATAL Joint Venture	Unincorporated	HKSAR	**25.59** *(note a)*	27.79 *(note a)*	Civil engineering
Shanxi Jin Ya Road and Bridge Construction Co., Ltd. *(note c)*	Incorporated	PRC	**26.10** *(note a)*	28.35 *(note a)*	Road construction

25. INTERESTS IN JOINTLY CONTROLLED ENTITIES (Cont'd)

Notes:

a. The Group holds the effective interests in the jointly controlled entities through Build King. During the year, the Group's interest in Build King was reduced from 55.58% to 51.17%. As a result, the effective interests in the jointly controlled entities were reduced proportionally.

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.

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 interests in the jointly controlled entities which are accounted for using the equity method is set out below:

Share of results attributable to the Group:

	2008	2007
	HK$'000	*HK$'000*
Revenue	**214,412**	486,452
Other income	**886**	4,657
Total revenue	**215,298**	491,109
Total expenses	**(188,746)**	(465,361)
Profit before tax	**26,552**	25,748
Income tax credit	**20**	3,297
Profit for the year	**26,572**	29,045

25. INTERESTS IN JOINTLY CONTROLLED ENTITIES (Cont'd)

Share of assets and liabilities attributable to the Group:

	2008 HK$'000	2007 HK$'000
Non-current assets	**15,465**	25,319
Current assets	**182,576**	316,064
Current liabilities	**(135,095)**	(253,816)
Non-current liabilities	**—**	(4,618)
Net assets	**62,946**	82,949

26. AVAILABLE-FOR-SALE INVESTMENTS

	2008 HK$'000	2007 HK$'000
Unlisted equity securities, at cost	**3,368**	3,368
Less: Impairment loss recognised	**(3,368)**	(3,368)
	—	—

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:

	2008 HK$'000	2007 HK$'000
Within one year	**2,337**	2,840
In the second to fifth year inclusive	**34,979**	36,621
	37,316	39,461
Less: Allowance	**(34,000)**	(34,000)
	3,316	5,461
Less: Amount recoverable within one year shown under current assets	**(2,337)**	(2,840)
Amount recoverable after one year	**979**	2,621

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 quarry 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. LOAN RECEIVABLE

The amount is unsecured, carries interest at 8% per annum and is receivable after one year.

29. OTHER FINANCIAL ASSETS

The subsidiary of the Company, Wuxi Qianhui Sewage Treatment Co., Ltd. ("Wuxi Qianhui"), entered into a service concession arrangement with the local government whereby Wuxi Qianhui is required to build the infrastructure of a sewage treatment plant and is granted with an exclusive operating rights for provision of sewage treatment services to the industrial and domestic users in Qian Qiao Zhen, Hui Shan District, Wu Xi City, Jiang Su Province for a term of 30 years.

At the end of the operating period, Wuxi Qianhui is required to transfer the sewage treatment plant to the local government. Wuxi Qianhui commenced the construction in 2005 and finished in 2006. The sewage treatment plant has been put into operation since 2007.

The fair value of the consideration receivable for the construction services rendered under the service concession arrangement is recognised using the percentage of completion method.

Under the service concession arrangement, the local government of Qian Qiao Zhen guarantees a minimum volume of sewage to be treated by the plant with a fixed predetermined rate per tons of sewage. The agreed price will be reviewed annually. Therefore, the service concession arrangement is classified as a financial asset carrying effective interest rate of 3.69% per annum and repayable over the service concession period of 30 years.

30. FINANCE LEASE RECEIVABLES

	Minimum lease payments		Present value of minimum lease payments	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Finance lease receivables comprise:				
Within one year	**–**	278	**–**	271
Less: Unearned finance income	**–**	(7)	**–**	—
Present value of minimum lease payments receivable	**–**	271	**–**	271

At 31st December, 2007, the Group leased out certain of its plant and machinery under finance leases. The average lease term was 3 years. All leases were on a fixed repayment basis.

The effective interest rates of the above finance leases ranged from 4% to 6% per annum.

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

31. INVENTORIES

	2008	2007
	HK$'000	*HK$'000*
Raw materials	**6,233**	8,084
Work in progress	**1,721**	485
Consumables	**5,342**	6,281
Finished goods	**5,267**	5,400
	18,563	20,250

The cost of inventories recognised as an expense during the year is HK$65,026,000 (2007: HK$54,067,000).

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

	2008 HK$'000	2007 HK$'000
Contracts in progress at balance sheet date:		
Contract costs incurred plus recognised profits less recognised losses	**3,760,089**	4,605,231
Less: Progress billings	**(3,684,135)**	(4,544,798)
	75,954	60,433
Represented by:		
Due from customers included in current assets	**151,821**	80,322
Due to customers included in current liabilities	**(75,867)**	(19,889)
	75,954	60,433

33. DEBTORS, DEPOSITS AND PREPAYMENTS

	2008 HK$'000	2007 HK$'000
Trade debtors	**160,906**	207,799
Less: allowance for doubtful debts	**(11,040)**	(12,594)
	149,866	195,205
Retention receivables	**43,388**	32,608
Other debtors, deposits and prepayments	**61,556**	60,635
	254,810	288,448

Included in Group's other debtors are other debtor with a carrying amount of HK$10,000 (2007: HK$70,000) which are denominated in Renminbi that is the currency other than the functional currencies of the respective group entities.

33. DEBTORS, DEPOSITS AND PREPAYMENTS (Cont'd)

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.

	2008 HK$'000	2007 HK$'000
0 to 60 days	**121,263**	189,609
61 to 90 days	**1,216**	140
Over 90 days	**27,387**	5,456
	149,866	195,205
Retention receivables		
Due within one year	**13,041**	19,658
Due more than one year	**30,347**	12,950
	43,388	32,608

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 credit limits by customer. Limits and scoring attributed to customers are reviewed periodically. 79% of the trade receivables that are neither past due nor impaired have good settlement repayment history. The Group has assessed the creditworthiness and historical default rates of these customers. Trade receivables that are past due but not impaired have very low historical default rates and have high credit rating within the industry.

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$22,634,000 at 31st December, 2008 (2007: HK$7,170,000) 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.

33. DEBTORS, DEPOSITS AND PREPAYMENTS (Cont'd)

Ageing of debtors past due but not impaired

	2008 HK$'000	2007 HK$'000
1 to 60 days	—	2,703
61 to 90 days	465	954
Over 90 days	22,169	3,513
	22,634	7,170

Included in the allowance for doubtful debts are individually impaired receivables due from certain trade debtors with an aggregate amount of HK$11,040,000 (2007: HK$12,594,000) which have either been placed under liquidation or are in financial difficulties. During the year, the Group has written off bad debt of HK$104,000 (2007: HK$1,517,000) which the Group considers the debtors are in severe financial difficulties. The Group does not hold any collateral over these receivables.

Movement in the allowance for doubtful debts

	2008 HK$'000	2007 HK$'000
Balance at the beginning of the year	12,594	11,070
Exchange loss recognised during the year	1,204	277
Allowance recognised in profit or loss	859	1,247
Allowance reversed in profit or loss	(3,617)	—
Balance at the end of the year	11,040	12,594

34. AMOUNTS DUE FROM ASSOCIATES/JOINTLY CONTROLLED ENTITIES

The amounts due from associates and jointly controlled entities are unsecured, interest-free and recoverable on demand. As at 31st December, 2007, an advance to a jointly controlled entity of HK$3,650,000 carried interest at 1.75% over the one month Hong Kong Interbank Offered Rate ("HIBOR").

Included in Group's amounts due from jointly controlled entities, a carrying amount of HK$2,440,000 (2007: HK$2,593,000) is denominated in Renminbi that is the currency other than the functional currencies of the respective group entities.

35. HELD-FOR-TRADING INVESTMENTS

	2008 HK$'000	2007 HK$'000
Held-for-trading investments at fair value		
Equity securities listed in the HKSAR	**28,554**	122,688
Equity securities quoted on OTCBB	**12**	41
	28,566	122,729

At 31st December, 2008, certain equity securities with market value of HK$8,670,000 (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 repayment of respective bank borrowing. Accordingly, the investments in these equity securities are classified as held-for-trading investments in the consolidated balance sheet.

36. PLEDGED BANK DEPOSITS, BANK BALANCES AND BANK OVERDRAFTS

Bank deposits of the Group amounting to HK$1,013,000 (2007: HK$2,058,000) were pledged to banks for securing the banking facilities granted to the Group. The pledged bank deposits carry fixed interest rates ranging from 0.01% to 1.07% (2007: 1.35% to 2.26%) per annum.

Bank balances carry average market interest rate ranging from 0.01% to 1.07% (2007: 0.72% to 2.60%) per annum.

Bank overdrafts carry interest at market rates which range from 6.5% to 8.1% (2007: 8.25% to 9.25%) per annum.

Included in the Group's bank balances are bank balances with a carrying amount of HK$5,380,000 (2007: HK$4,436,000) which are denominated in Renminbi, the currency other than the functional currencies of the respective group entities.

37. CREDITORS AND ACCRUED CHARGES

	2008	2007
	HK$'000	*HK$'000*
Trade creditors (ageing analysis):		
0 to 60 days	**67,989**	57,664
61 to 90 days	**6,410**	5,085
Over 90 days	**24,505**	10,952
	98,904	73,701
Retention payables	**39,122**	32,852
Accrued project costs	**112,189**	100,043
Other creditors and accrued charges	**73,153**	77,168
	323,368	283,764
Retention payables		
Due within one year	**19,584**	19,723
Due more than one year	**19,538**	13,129
	39,122	32,852

The Group has financial risks management policies in place to ensure that all payables within the credit timeframe. 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$5,075,000 (2007: HK$2,739,000) which are denominated in Renminbi, the currency other than the functional currencies of the respective group entities.

38. 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 (2007: 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 5% (2007: 6.75%) and is repayable on demand.

39. LOANS FROM A DIRECTOR

The loans are unsecured, carry interest at HIBOR plus 1.75% per annum and are repayable within one year.

40. OTHER BORROWINGS

Other borrowings comprise:

	2008	2007
	HK$'000	*HK$'000*
Margin loan *(note a)*	**8,959**	21,675
Obligations under finance lease arrangement *(note b)*	**154**	104
Loans payable *(note c)*	**2,007**	—
	11,120	21,779
Less: Amount due within one year shown under current liabilities	**(11,005)**	(21,697)
Amount due after one year	**115**	82

40. OTHER BORROWINGS (Cont'd)

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 arrangement is as follows:

	Minimum lease payments		Present value of minimum lease payments	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**47**	28	**39**	22
In the second to fifth year inclusive	**124**	89	**115**	82
	171	117	**154**	104
Less: Future finance charges	**(17)**	(13)	**N/A**	N/A
Present value of lease obligations	**154**	104	**154**	104
Less: Amount due within one year shown under current liabilities			**(39)**	(22)
Amount due after one year			**115**	82

The lease terms range from 4.5 years to 5 years. Interest rates underlying all obligations under finance lease arrangement are fixed at respective contract dates at 5.7% (2007: ranging from 5.7% to 11.5%) per annum.

(c) The loans are for the operation of the bio-technology business in the PRC, unsecured, with 3 months to 6 months maturity and carry fixed annual interest rates ranging from 15.1% to 25.5% per annum.

41. BANK LOANS

	2008 HK$'000	2007 HK$'000
The maturity of the bank loans is as follows:		
Within one year	**240,273**	298,189
In the second year	**26,899**	4,185
In the third to fifth year inclusive	**9,581**	32,209
	276,753	334,583
Less: Amount due within one year shown under current liabilities	**(240,273)**	(298,189)
Amount due after one year	**36,480**	36,394
Secured	**55,384**	97,348
Unsecured	**221,369**	237,235
	276,753	334,583

At the balance sheet date, bank loans include HK$385,000 (2007: HK$644,000) fixed rate borrowings which carry interest ranging from 8.52% to 9.39% (2007: 8.52% to 9.39%) per annum. The remaining bank loans are variable-rate borrowings which carry interest ranging from 1.80% to 7.90% (2007: 4.55% to 7.90%) per annum. Interest is repriced every one, two, three or six months.

Included in Group's bank loans are bank loans with a carrying amount of HK$15,647,000 (2007: HK$19,535,000) which are 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$75,115,000 as at 31st December, 2008, the Group breached certain terms of the bank loans, which are primarily related to the debt-equity ratio and current 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 related bank loans amounting to HK$16,734,000 have been classified as current liability in the consolidated balance sheet as at 31st December, 2008. For bank loans amounting to HK$32,446,000, the Group has subsequently obtained written consent from the banks to waive their rights to demand immediate repayment.

41. BANK LOANS (Cont'd)

For the remaining bank borrowings amounting to HK$42,669,000, the directors of the Company informed the breach to the lender and commenced discussion with the relevant banker for the application of a waiver. Up to the date of the issue of the consolidated financial statements, the discussion is still in progress. The directors of the Company are confident that the discussion with the lender will ultimately reach a successful conclusion. The directors of the Company believe that adequate alternative sources of finance are available to ensure that there is no threat to the continuing operations of the Group.

Certain bank loans are secured by share charges over the entire issued share capital of certain subsidiaries of the Company and personal guarantees given by a director of the Company.

42. STRUCTURED BORROWING

	2008	2007
	HK$'000	*HK$'000*
Structured borrowing, classified as:		
Current	**12,480**	12,480
Non-current	**40,541**	41,770
At fair value	**53,021**	54,250

The structured borrowing contains embedded derivatives which are not closely related to the host contract, hence the entire combined contract was designated as derivative financial instruments 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.

42. STRUCTURED BORROWING (Cont'd)

Major terms of the structured borrowing at 31st December, 2008 and 2007 are set out below:

Notional amount	Upfront payment	Maturity date	Terms
US$80,000,000	US$8,000,000 received on 4th October, 2006	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.

"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, 2008. As at 31st December, 2008, change in its fair value as compared with the net amount of the upfront payment received less the repayment made was HK$15,581,000 (2007: HK$4,330,000). Increase in fair value of HK$11,251,000 (2007: decrease of HK$6,539,000) during the year has been charged to the consolidated income statement. As at 28th February, 2009, the fair value was HK$46,259,000.

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

43. 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, 2007	5,750	—	5,750
Charge for the year	—	171	171
At 31st December, 2007	5,750	171	5,921
Effect of change in tax rate	—	(10)	(10)
Credit for the year *(note 16)*	—	(161)	(161)
At 31st December, 2008	**5,750**	**—**	**5,750**

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:

	2008 HK$'000	2007 HK$'000
Tax losses to expire in:		
2008	**—**	4,894
2009	**15,311**	19,222
2010	**10,973**	15,906
2011	**16,204**	18,872
2012	**13,112**	10,867
2013	**11,478**	—
Carried forward indefinitely	**431,772**	350,519
	498,850	420,280

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

44. LOAN FROM A SHAREHOLDER

As at 31st December, 2007, the loan from a shareholder was unsecured, carried interest at prime rate minus 0.5% per annum and was repayable by 21st February, 2010. The amount was fully settled during the year. The shareholder was also a director of the Company.

45. LOANS FROM MINORITY SHAREHOLDERS

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 under non-current liabilities.

46. 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 under non-current liabilities.

The effective interest rate applied is 5% (2007: 5.3%) per annum.

47. 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 under non-current liabilities.

48. SHARE CAPITAL

	Number of shares		Share capital	
	2008	2007	**2008**	2007
	'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 the beginning and the end of the year	**793,124**	793,124	**79,312**	79,312

49. 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 loans from a director, other borrowings, bank loans and structured borrowing disclosed in notes 39 to 42 and equity attributable to equity holders of the Company, comprising issued capital and reserves.

The directors of the Company reviews 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.

50. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2008	2007 (Restated)
	HK$'000	*HK$'000*
Financial assets		
Held-for-trading investments	**28,566**	122,729
Loans and receivables (including cash and cash equivalents)	**373,731**	430,210
	402,297	552,939
Financial liabilities		
Amortised cost	**656,724**	696,382
Structured borrowing (see below)	**53,021**	54,250
	709,745	750,632

Structured borrowing (note)

	2008	2007
	HK$'000	*HK$'000*
Difference between carrying amount and outstanding principal amount		
At fair value	**53,021**	54,250
Outstanding principal at balance sheet date	**(37,440)**	(49,920)
	15,581	4,330

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.

50. FINANCIAL INSTRUMENTS (Cont'd)

(b) Financial risk management objectives and policies

The Group's major financial instruments include loan receivable, other financial assets, debtors, equity investments, pledged bank deposits and bank balances, creditors, bank and other borrowings, structured borrowings and amounts due from/to associates, jointly controlled entities, related company and minority shareholders, and loans from a director, 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 currency should the need arise.

50. FINANCIAL INSTRUMENTS (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

Market risk (Cont'd)

(i) Currency risk (Cont'd)

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

	Assets		Liabilities	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
United States dollars	**—**	—	**68,668**	73,785
Renminbi	**7,831**	7,099	**7,950**	2,739

Sensitivity analysis

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

As United States dollars are pegged with Hong Kong dollars, the currency risk exposure to United States dollars is considered minimal. Hence, no foreign currency sensitivity analysis is disclosed the consolidated financial statements in respect of United States dollars.

50. FINANCIAL INSTRUMENTS (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

Market risk (Cont'd)

(i) Currency risk (Cont'd)

Sensitivity analysis (Cont'd)

The following table details the Group's sensitivity to a 6% (2007: 6%) increase and decrease in the respective functional currency of the group entity against Renminbi. 6% (2007: 6%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rate. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 6% (2007: 6%) change in foreign currency rate. A positive number of the net impact indicates an increase in post tax profit where the respective functional currency of the group entity strengthen against Renminbi. For a 6% (2007: 6%) weakening of the respective functional currency of the group entity against Renminbi, there would be an equal and opposite impact on the post tax profit, and the net impact below would be negative.

	Profit (loss)	
	2008	2007
	HK$'000	*HK$'000*
Renminbi	**7**	(247)

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.

50. FINANCIAL INSTRUMENTS (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

Market risk (Cont'd)

(ii) Interest rate risk

The Group's fair value interest rate risk relates primarily to fixed-rate bank borrowings and amounts due from/to associates, jointly controlled entities, a related company and minority shareholders 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 and amounts due from/to associates, jointly controlled entities, a related company and minority shareholders are 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 42. Other than the structured borrowing, loans from a director, variable-rate bank and other borrowings also expose the Group to cash flow interest rate risk (see notes 39, 40 and 41). 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 exposure to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

50. FINANCIAL INSTRUMENTS (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

Market risk (Cont'd)

(ii) Interest rate risk (Cont'd)

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure 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 points (2007: 100 basis points) 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.

If interest rates had been 100 basis points (2007: 100 basis points) higher/lower and all other variables were held constant, the Group's profit for the year ended 31st December, 2008 would decrease/increase by HK$2,709,000 (2007: decrease/increase by HK$3,912,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank and other borrowings.

For structured 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 15 (2007: 7) of business days less in the period for which Spread Rate >-0.05% and all other variables were held constant, the Group's post-tax profit for the year ended 31st December, 2008 would decrease by HK$9,210,000 (2007: decrease by HK$5,533,000). This is mainly attributable to the Group's exposure to interest rates on its structured borrowing.

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

50. FINANCIAL INSTRUMENTS (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

Market risk (Cont'd)

(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 10% (2007: 5%) higher/lower while all other variables were held constant, post tax profit for the year ended 31st December, 2008 would increase/decrease by HK$2,385,000 (2007: increase/decrease by HK$6,136,000) 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.

50. FINANCIAL INSTRUMENTS (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

Credit risk

As at 31st December, 2008, 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 the major customer of the Group is the Government of the HKSAR.

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.

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 and banking facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. As at 31st December, 2008, the Group has available unutilised bank and other borrowings of approximately HK$14,725,000 (2007: HK$71,549,000) and HK$1,721,000 (2007: HK$28,325,000) respectively.

50. FINANCIAL INSTRUMENTS (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

Liquidity risk (Cont'd)

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 HK$'000	4-6 months HK$'000	7-12 months HK$'000	2-3 years HK$'000	Over 3 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2008 HK$'000
2008								
Non-interest bearing		316,117	932	2,188	25,369	19,593	364,199	354,101
Fixed interest rate instruments	16.40	2,196	44	88	241	–	2,569	2,392
Variable interest rate instruments	2.96	129,751	33,512	104,848	38,027	–	306,138	300,077
Obligations under finance lease arrangement	5.70	11	12	23	94	31	171	154
Structured borrowing		–	6,240	6,240	24,960	–	37,440	53,021
		448,075	40,740	113,387	88,691	19,624	710,517	709,745

	Weighted average effective interest rate %	Repayable on demand or 3 months or less HK$'000	4-6 months HK$'000	7-12 months HK$'000	2-3 years HK$'000	Over 3 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2007 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
Obligations under finance lease arrangement	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

50. FINANCIAL INSTRUMENTS (Cont'd)

(c) Fair value

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

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

- the fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instuments; 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.

51. 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.

51. SHARE OPTION SCHEME (Cont'd)

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.

During the year ended 31st December, 2007, 6,160,000 share options were granted under the Share Option Scheme to directors and employees for an aggregate consideration of HK$34. The estimated fair value of the options granted during the year is HK$3,585,000. 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, 2008 and 2007.

51. SHARE OPTION SCHEME (Cont'd)

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.

Year ended 31st December, 2008:

Date of grant	Exercisable period	Exercise price per share HK$	Number of options: Outstanding at 1st January, 2008	Granted during the year	Lapsed during the year	Outstanding at 31st December, 2008
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	1,390,000	—	(180,000)	**1,210,000**
			6,010,000	—	(180,000)	**5,830,000**
Number of options exercisable at the end of the year						**5,830,000**

Year ended 31st December, 2007:

Date of grant	Exercisable period	Exercise price per share HK$	Number of options: Outstanding at 1st January, 2007	Granted during the year	Lapsed during the year	Outstanding at 31st December, 2007
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 options exercisable at the end of the year						—

52. OPERATING LEASE COMMITMENTS

Lessor

At 31st December, 2008, the Group leased the Group's properties and contracted with tenants for the following future minimum lease receipts:

	2008	2007
	HK$'000	*HK$'000*
Within one year	**255**	64
In the second to fifth year inclusive	**237**	—
	492	64

Lessee

At 31st December, 2008, 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:

	2008	2007
	HK$'000	*HK$'000*
Within one year	**9,305**	3,576
In the second to fifth year inclusive	**11,250**	323
	20,555	3,899

Operating lease represents rental receivable/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.

53. TENDER/PERFORMANCE/RETENTION BONDS

	2008	2007
	HK$'000	*HK$'000*
Outstanding amount for construction contracts	**128,230**	122,190

54. RETIREMENT BENEFITS SCHEMES

The Group operates two Mandatory Provident Fund Schemes ("MPF Schemes") for all eligible employees in the HKSAR. 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$9,068,000 (2007: HK$11,585,000) represents the aggregate retirement benefit scheme contributions for the Group's employees, net of forfeited contributions.

55. RELATED PARTY TRANSACTIONS

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

	Secretarial and management service income		**Interest income**		**Interest expense**	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Associates	**19,756**	1,800	**–**	2,341	**141**	141
Jointly controlled entities	**–**	—	**66**	164	**–**	—
Shareholders	**–**	—	**–**	—	**404**	26
A related company	**–**	—	**–**	—	**94**	452
A director	**–**	—	**–**	—	**243**	—

During the year, the Group disposed of its entire interest in a jointly controlled entity to a partner of the jointly controlled entity at a consideration of HK$9,422,000.

At 31st December, 2008, a director provided personal guarantees amounting to HK$12,500,000 (2007: nil) to several banks to secure the general banking facilities granted to the Group.

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

Compensation of key management personnel

	2008	2007
	HK$'000	*HK$'000*
Short-term employee benefits	**22,786**	26,370
Post-employment benefits	**1,574**	1,744
Share-based payments	**844**	844
	25,204	28,958

55. RELATED PARTY TRANSACTIONS (Cont'd)

Compensation of key management personnel (Cont'd)

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.

56. POST BALANCE SHEET EVENT

Pursuant to an agreement dated 21st March, 2009 (the "Agreement"), Wai Kee (Zens) Holding Limited ("WKZ"), a wholly-owned subsidiary of the Company, agreed to dispose of the entire issued share capital of Wai Kee Biotechnical Company Limited, a wholly-owned subsidiary of WKZ, which holds 91% interest in Wuhan Nature's Favour Bioengineering Company Limited and Hubei Nature's Favour Biotechnology Company Limited to a purchaser for an aggregate consideration of HK$19,000,000. Completion of the agreement shall take place on 20th April, 2009 or such other date as may be agreed by the parties to the Agreement.

57. 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
			2008 **%**	2007 %	
Build King Holdings Limited *(note a)*	Bermuda	HK$93,140,849	**51.17**	55.58	Investment holding, engaged in civil engineering works
Hubei Nature's Favour Biotechnology Company Limited *(note d)*	PRC	RMB17,500,000*	**91**	91	Bio-technology
Hsin Lung Construction Company Limited	Taiwan	NTD175,000,000	**51.17**	55.58	Civil engineering
Kaden Construction Limited	United Kingdom/ HKSAR	GBP9,400,000	**51.17**	55.58	Construction and civil engineering
Leader Civil Engineering Corporation Limited	HKSAR	HK$25,200,000 Ordinary shares	**51.17**	55.58	Civil engineering
		HK$24,000,000 Non-voting deferred shares	**51.17**	55.58	
Leader Marine Contractors Limited	HKSAR	HK$200,000	**51.17**	55.58	Marine engineering and provision of transportation services

57. PRINCIPAL SUBSIDIARIES (Cont'd)

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
			2008 %	2007 %	
Leader Marine L.L.C.	Sharjah, United Arab Emirates	Dh300,000	**51.17**	55.58	Ships and boats rental and shipping services
Shengsi Dayangshan Quarry Co., Ltd. *(note c)*	PRC	US$5,100,000*	**100**	100	Production of construction materials
Wai Hing Quarries (China) Limited	HKSAR	HK$2 Ordinary shares	**100**	100	Production of construction materials
		HK$1,200,000 Non-voting deferred shares	**100**	100	
Wai Kee Biotechnical Company Limited	British Virgin Islands	US$1	**100**	100	Investment holding
Wai Kee China Construction Company Limited	HKSAR	HK$10,000,000	**51.17**	55.58	Civil engineering
Wai Kee Quarry Asia Limited	HKSAR	HK$2	**100**	100	Investment holding

57. PRINCIPAL SUBSIDIARIES (Cont'd)

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
			2008 **%**	2007 %	
Wai Kee (Zens) Construction & Transportation Company Limited	HKSAR	HK$2 Ordinary shares	**51.17**	55.58	Civil engineering
		HK$14,800,000 Non-voting deferred shares	**51.17**	55.58	
		HK$5,200,000 Non-voting deferred shares *(note b)*	**—**	—	
Wai Kee (Zens) Holding Limited	British Virgin Islands	US$50,000	**100**	100	Investment holding
Wuhan Nature's Favour Bioengineering Company Limited *(note d)*	PRC	RMB20,000,000*	**91**	91	Bio-technology
Wuxi Qianhui Sewage Treatment Co., Ltd. *(note d)*	PRC	US$5,400,000	**48.92**	53.13	Sewage treatment
Zhuhai Guishan Seawall Construction Company *(note d)*	PRC	HK$21,000,000*	**80**	80	Seawall construction and production of construction materials

57. PRINCIPAL SUBSIDIARIES (Cont'd)

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 2008 %	2007 %	Principal activities
惠記環保工程(上海)有限公司 *(note c)*	PRC	US$800,000	**51.17**	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 a 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.

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.

58. SUMMARISED BALANCE SHEET OF THE COMPANY

	2008	2007
	HK$'000	*HK$'000*
Investment in subsidiaries	**123,915**	123,915
Amounts due from subsidiaries	**1,614,963**	1,988,253
Other current assets	**1,540**	30,984
Amounts due to subsidiaries	**(397,724)**	(678,367)
Other current liabilities	**(1,012)**	(887)
Bank loans	**(167,919)**	(182,500)
Structured borrowing	**(53,021)**	(54,250)
Loan from a shareholder	**—**	(30,000)
	1,120,742	1,197,148
Share capital	**79,312**	79,312
Reserves	**1,041,430**	1,117,836
	1,120,742	1,197,148

RESULTS

	Year ended 31st December,				
	2004	2005	2006	2007 (Restated)	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Group revenue	508,029	595,306	678,236	871,679	**837,434**
Share of revenue of jointly controlled entities	363,640	151,407	383,525	486,452	**214,412**
Group revenue and share of revenue of jointly controlled entities	871,669	746,713	1,061,761	1,358,131	**1,051,846**
Operating profit (loss)	313,540	(66,901)	(47,020)	(9,543)	**(172,463)**
Finance costs	(1,526)	(5,136)	(10,811)	(21,657)	**(15,537)**
Share of results of associates less goodwill amortised	162,870	202,916	285,050	319,874	**230,743**
Share of results of jointly controlled entities	171,617	63,451	26,860	29,045	**26,572**
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	9,698	—	—	—	**–**
Net (loss) gain on deemed disposals of partial interest in an associate	(6,964)	(7,516)	36,085	23,159	**(105)**
Discount on deemed acquisition of additional Interest in an associate	—	—	—	—	**48,810**
Profit before tax	652,416	210,927	291,487	340,878	**118,020**
Income tax (expense) credit	(19,770)	35	(25,948)	(6,834)	**113**
Profit for the year	632,646	210,962	265,539	334,044	**118,133**
Attributable to:					
Equity holders of the Company	608,832	199,891	262,615	328,431	**161,392**
Minority interests	23,814	11,071	2,924	5,613	**(43,259)**
Profit for the year	632,646	210,962	265,539	334,044	**118,133**

FINANCIAL POSITION

	At 31st December,				
	2004	2005	2006	2007	**2008**
				(Restated)	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Total assets	2,888,419	3,122,869	3,602,188	4,145,671	**4,445,447**
Total liabilities	(371,731)	(450,668)	(701,143)	(817,882)	**(822,394)**
	2,516,688	2,672,201	2,901,045	3,327,789	**3,623,053**
Equity attributable to equity holders of the Company	2,472,103	2,609,812	2,833,449	3,253,050	**3,586,076**
Minority interests	44,585	62,389	67,596	74,739	**36,977**
	2,516,688	2,672,201	2,901,045	3,327,789	**3,623,053**

2007 figures have been adjusted to reflect the change in accounting policies on the application of HK(IFRIC) – Int 12 "Service Concession Arrangements" effective from 1st January, 2008.

In addition, no restatement of consolidated financial statements from 2004 to 2006 was made for the adoption of new Hong Kong Financial Reporting Standards issued by HKICPA that are effective for the Group's financial year beginning on 1st January, 2008 as the directors of the Company considered it is not practicable to do so.

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
Hang Seng Bank Limited
The Bank of East Asia, Limited
CITIC Ka Wah Bank Limited

QUALIFIED ACCOUNTANT

WONG Wing Cheung, Dennis

COMPANY SECRETARY

CHIU Wai Yee, Anriena

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STOCK CODE

The Stock Exchange of Hong Kong Limited – 610