WAI KEE 惠記 ZENS

Wai Kee Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 610)

ANNUAL REPORT 2010

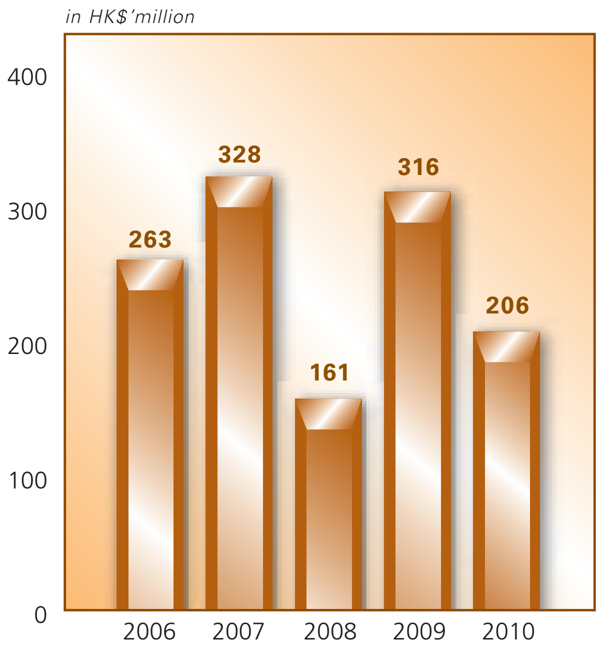
Contents

	Year ended 31st December,	
	2010	2009
	HK$'million	*HK$'million*
Group revenue and share of revenue of jointly controlled entities	**927**	1,057
Profit for the year	**209**	347
Profit attributable to owners of the Company	**206**	316
	HK cents	*HK cents*
Basic earnings per share	**25.92**	39.82
Dividend per share	**10**	8
Return on equity attributable to owners of the Company	**5.1%**	8.1%

	At 31st December,	
	2010	2009
	HK$'million	*HK$'million*
Total assets	**4,716**	4,515
Total liabilities	**(547)**	(526)
Non-controlling interests	**(103)**	(68)
Equity attributable to owners of the Company	**4,066**	3,921
	HK$	*HK$*
Equity attributable to owners of the Company per share	**5.13**	4.94

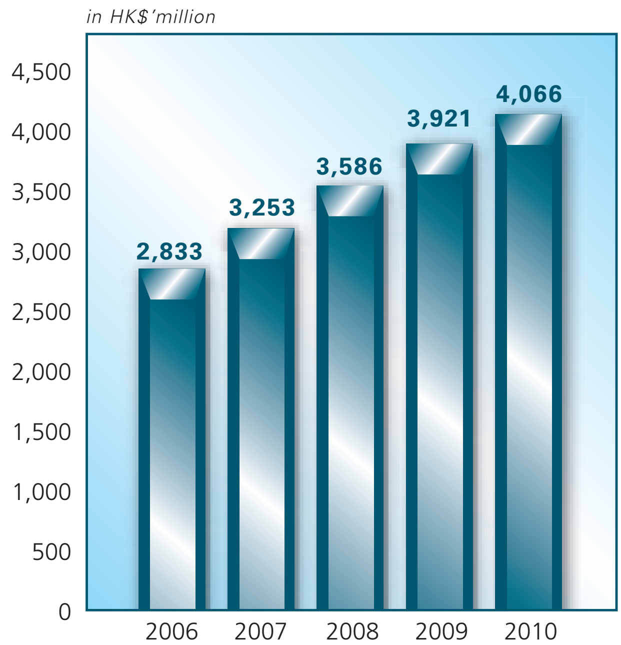
PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Year ended 31st December,



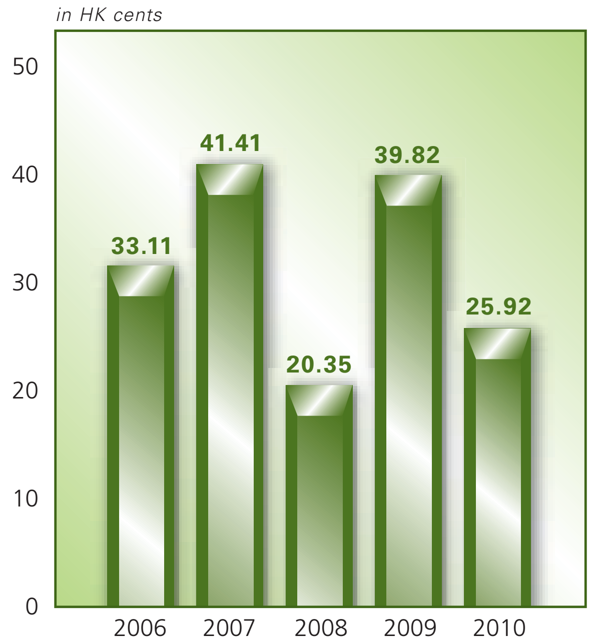
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY

At 31st December,



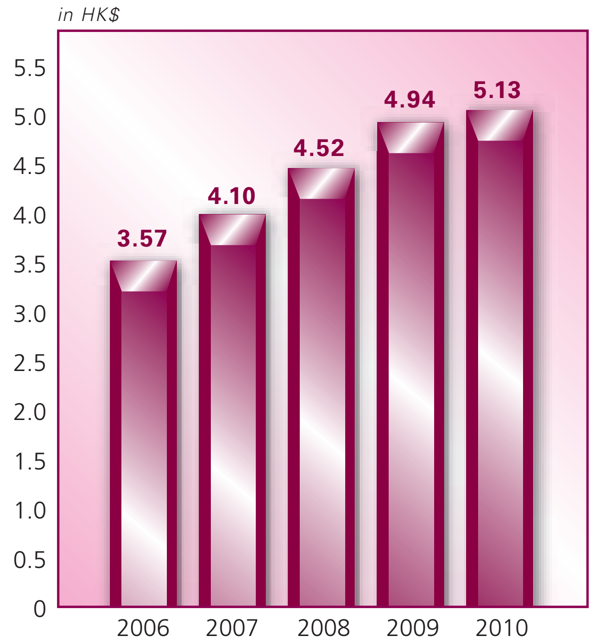
BASIC EARNINGS PER SHARE

Year ended 31st December,



EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY PER SHARE

At 31st December,



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, 2010 was HK$734 million (2009: HK$844 million) and HK$927 million (2009: HK$1,057 million) if including revenue of jointly controlled entities shared by the Group, generating an audited consolidated profit attributable to owners of the Company of HK$206 million (2009: HK$316 million), a decrease of 35% as compared with that of year 2009.

At the forthcoming Annual General Meeting to be held on 25th May, 2011, the Board will recommend the payment of a final dividend of HK5 cents (2009: HK8 cents) per share.

BUSINESS REVIEW

Highway and Expressway Operations and Property Development

For the year ended 31st December, 2010, the Group shared a total profit of HK$239 million (2009: HK$277 million) from Road King Infrastructure Limited ("Road King"), an associate of the Group, and Sunco Property Holdings Company Limited ("Sunco"), a subsidiary of Road King.

During the year, Road King issued 2,818,000 (2009: 190,000) ordinary shares upon exercise of share options granted to the directors and employees of Road King under the share option scheme of Road King. As the shares were issued at exercise prices lower than the net asset value per share of Road King, the Group recorded an aggregate loss of HK$8 million (2009: HK$0.5 million) on deemed disposal of partial interest in Road King. As of the date of this report, the Group holds 38.19% interest in Road King.

On 1st December, 2009, the Group entered into a sale and purchase agreement with Road King to dispose of the equity interest of 5.28% in Sunco which was directly held by the Group to Road King at a cash consideration of HK$88 million. The transaction was completed on 27th January, 2010 and the Group recorded a gain on disposal of HK$8 million during the year. After the disposal, the Group does not hold any direct interest in Sunco and Road King's interest in Sunco increased from 89.46% to 94.74%.

For the year ended 31st December, 2010, Road King reported an audited profit attributable to owners of the Company of HK$625 million (2009: HK$728 million).

In 2010, total traffic volume and toll revenue of Road King's existing toll road projects were 90 million vehicles and RMB1,959 million, representing an increase of 11% and 4% respectively over 2009.

Due to the fact that two major expressway projects in Hebei are at the stage where Road King's joint venture partners are receiving a larger portion of the returns to recover their investment costs, the performance of Road King's toll road business in 2010 was tarnished to a certain extent.

HIGHWAY

BUSINESS REVIEW (Cont'd)

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

In order to optimise the value of its toll road portfolio, in 2010, Road King via the joint ventures disposed of Handan Highway located in Hebei Province and a portion of Heye Highway located in Hefei, Anhui Province. Road King has put in additional effort in securing new expressway projects in 2010.

In 2010, Road King's property business improved significantly. Contracted sales in 2010 amounted to HK$7,573 million, representing an increase of 20% over 2009. Revenue generated from the delivery of properties was HK$4,942 million, representing an increase of 7% over 2009, and a net profit of HK$482 million (2009: a net loss of HK$10 million) was realised.

In 2010, Road King, through public tenders and auctions, successfully acquired four pieces of residential and commercial land with a total GFA of 610,000 sqm. In addition, it also completed the acquisition of a project located in Shijiazhuang, Hebei in June 2010, adding another 200,000 sqm to its total GFA. The land reserve of Road King was about 5,200,000 sqm at 31st December, 2010.

In August 2010, with the coordination of the Tianjin Municipal Government, Road King withdrew the lawsuit against the former major shareholders of Sunco Real Estate Investment Limited in Hong Kong. The relevant claims will be resolved through mediation by the Tianjin Municipal Government. The information of relevant claims is currently under review.

The rapid economic growth and increase in personal disposable income in the PRC will continue to benefit Road King's business in 2011.

For toll road business, Road King will continue to identify and invest in appropriate expressway projects in the next few years, in order to optimise and improve its portfolio and the return thereof.

For the property business, Road King is committed to, through further improvement of the quality of the products, the competence of the staff teams and the recognition of the brand, realise the hidden value as well as the profitability of the existing projects. Meanwhile, Road King will continue to identify suitable land to make the property business much stronger.

PROPERTIES

BUSINESS REVIEW (Cont'd)

Construction

For the year ended 31st December, 2010, the Group shared a profit of HK$13 million (2009: HK$34 million) from Build King Holdings Limited ("Build King"), construction arm of the Group. As of the date of this report, the Group holds 51.17% interest in Build King.

For the year ended 31st December, 2010, Build King recorded revenue and share of revenue of jointly controlled entities of HK$915 million (2009: HK$1,035 million) and an audited profit attributable to owners of the Company of HK$29 million (2009: HK$64 million) which comprises HK$21 million (2009: HK$45 million) from construction operation and HK$8 million (2009: HK$19 million) from the investments in marketable securities.

The decrease in both turnover and profit was mainly due to the temporary reduction of marine operation available in the United Arab Emirates ("UAE") as well as low profit level during the early transitional stage of several construction projects in Hong Kong.

Despite the flourishing civil engineering market in Hong Kong and the award of several new major projects, the turnover in Hong Kong for 2010 was similar to that for 2009. The new projects secured were generally of high contract value with longer contract periods but were still at an early stage of construction during the year and therefore did not contribute meaningful profits. However, the overall gross profit contribution of these new projects is expected to be quite reasonable in the long term. Further, during the year, Build King employed substantial overhead resources for tendering activities and in developing future business.

As a result of the financial turmoil, the general economy of region including UAE has been adversely affected and the civil engineering construction industry has slowed down. Build King has concentrated its efforts in Abu Dhabi where the market is not as bad as elsewhere in UAE. During 2010, with its partner in UAE, Build King managed to win two new projects in Abu Dhabi with a total value of HK$183 million. The margins of these new projects are still reasonable though lower than in the past. The outstanding value of contracts on hand in UAE is now HK$188 million, most of which will be substantially completed in 2011. It is expected that the results will significantly improve next year.

Given the financial strength of Abu Dhabi and the continually high global demand for oil, Build King believes the adverse financial impact is temporary. In the medium term, the planned infrastructure works will eventually be pushed forward.

CONSTRUCTION

BUSINESS REVIEW (Cont'd)

Construction (Cont'd)

In PRC, the first stage extension of the sewage treatment plant in Wuxi City was completed in 2010. With the expanded capacity of 35,000 tonnes per day, the plant is treating an average of 25,000 tonnes per day but with steadily increasing volumes. It is expected the fee of domestic sewage will also soon be increased in line with inflation in PRC.

As of the date of this report, the aggregate outstanding value of contracts is HK$3.9 billion.

Construction Materials

For the year ended 31st December, 2010, the Group shared a loss of HK$31 million (2009: HK$5 million) from Mega Yield International Holdings Limited ("Mega Yield"), the construction materials division of the Group. As of the date of this report, the Group owns 94.05% interest in Mega Yield.

The substantial loss recorded was mainly due to the pre-operating expenses incurred for the establishment of the concrete batching plant at Aberdeen site. The construction of concrete batching facilities was completed in the first quarter of 2011. The division is fully geared up for operation and the plant is supervised by a team with extensive industrial expertise.

The division targets its market on Hong Kong Island and the nearby Kowloon areas. The inquiries for concrete supply to various projects including the South Island Line extension indicate a large future demand for ready mixed concrete. With the large infrastructure expansion in Hong Kong, the market for the ready mixed concrete is expected to show substantial growth in the foreseeable future.

As the division is a new entrant in the concrete supply business, severe competition from existing operators is anticipated. The division's main focus for 2011 is to fill its order book and maintain its prudent cost control. As the construction market is expected to thrive in coming years, the Group holds positive view on its construction materials business.

CONSTRUCTION MATERIALS

BUSINESS REVIEW (Cont'd)

Quarrying

For the year ended 31st December, 2010, the revenue of the quarrying division further dropped to HK$11 million (2009: HK$22 million) which was below the breakeven level, hence a net loss of HK$8 million (2009: profit of HK$2 million) was recorded.

The revenue has been diminished significantly as only minimal quantities of aggregates have been sold in 2010. The management is in close discussion with local authority to extend the license for operation in Niu Tou Island. It is anticipated that the extension of license will be completed before the second quarter of 2011.

With the Group's concrete batching facilities were fully geared up for operation, the demand of aggregates is anticipated to be improved in the future.

North American Ginseng

For the year ended 31st December, 2010, Chai-Na-Ta Corp. ("CNT"), an associate of the Group in Canada, reported revenue of C$9.0 million (2009: C$6.9 million) and a net profit of C$0.8 million (2009: C$0.7 million). For the year ended 31st December, 2010, the Group shared CNT's profit of HK$2 million (2009: HK$2 million).

During the year, the Group purchased 2,811,000 shares in CNT at an aggregate consideration of HK$1 million which was below the net assets acquired. As a result, the Group's interest in CNT increased in aggregate by 8.10% resulting an aggregate gain of HK$4 million. As of the date of this report, the Group holds 46.19% interest in CNT.

CNT harvested 125 acres (2009: 127 acres) of ginseng in Ontario for a yield of 545,000 pounds of root in 2010, an increase of 22% from 446,000 pounds in 2009. The increase in yield is a result of enhanced crop management techniques and because virtually all of the crops harvested in 2010 were five years old. CNT has committed 83% of its 2010 harvest to the customers and achieved a significant increase in the average selling price due to decrease in overall supply in the industry and its production of better quality roots in 2010.

CNT continues its plan of not planting new crops and will cease its operations after completing the harvest in 2011 and sale of the inventory in 2012. In the coming year, CNT will focus its attention on maximizing the yield and quality of the crops from its final harvest in Ontario.

QUARRY

FINANCIAL REVIEW

Liquidity and Financial Resources

During the year, total borrowings increased from HK$139 million to HK$165 million with the maturity profile summarised as follows:

	At 31st December,	
	2010	2009 (restated)
	HK$'million	*HK$'million*
Within one year	**82**	73
In the second year	**42**	42
In the third to fifth year inclusive	**41**	24
	165	139
Classified under:		
Current liabilities *((a) and (b))*	**139**	126
Non-current liabilities	**26**	13
	165	139

(a) At 31st December, 2009, bank loans that contain a repayment on demand clause with the aggregate carrying amount of HK$45 million have been reclassified from non-current liabilities to current liabilities as a result of the Group's application of the new HK – Int 5. At 31st December, 2010, bank loans (that are repayable more than one year after the end of the reporting period but contain a repayment on demand clause) with the aggregate carrying amount of HK$57 million have been classified as current liabilities.

(b) At 31st December, 2009, the non-current portion of the bank loans amounting to HK$8 million had been classified as current liabilities since Build King had breached certain terms of the bank loans, which are primarily related to its debt-equity ratio.

(c) At 31st December, 2010, total borrowings included a contract of structured borrowing of HK$13 million (2009: HK$25 million) that was designated as derivative financial instruments 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, 2010, the difference between the fair value of the structured borrowing and the net amount of the upfront payment received less the repayment made was HK$0.1 million (2009: HK$0.4 million). Decrease in fair value of HK$0.3 million during the year (2009: HK$15 million) has been credited to profit or loss. The structured borrowing is denominated in United States dollars.

FINANCIAL REVIEW (Cont'd)

Liquidity and Financial Resources (Cont'd)

At 31st December, 2010, bank loans included HK$0.07 million (2009: HK$0.2 million) fixed-rate borrowings which carry interest ranging from 8.52% to 9.39% (2009: 8.52% to 9.39%) per annum and also included a carrying amount of HK$8 million (2009: HK$12 million) which is denominated in United States dollars.

At 31st December, 2010, the Group had no financial instrument for hedging purpose.

At 31st December, 2010, the Group's cash and bank balances amounted to HK$59 million (2009: HK$35 million), of which bank deposits amounting to HK$0.02 million (2009: HK$2 million) were pledged to a bank to secure certain general banking facilities granted to the Group.

For the year ended 31st December, 2010, the Group recorded finance costs of HK$4 million (2009: HK$9 million).

At 31st December, 2010, a portfolio of held-for-trading investments were stated at their fair values in a total amount of HK$37 million (2009: HK$44 million), majority of which were equity securities listed in Hong Kong. Certain equity securities held by Build King with market value of HK$21 million (2009: HK$18 million) were pledged to a bank to secure certain general banking facilities granted to Build King. For the year ended 31st December, 2010, the Group recorded net income (net gain on change in fair value and disposal of investments together with dividend income) from these investments of HK$6 million (2009: HK$27 million), of which HK$8 million (2009: HK$19 million) was derived from the securities invested by Build King.

The Group's borrowings, investments and bank balances are 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

At 31st December, 2010, the equity attributable to owners of the Company amounted to HK$4,066 million, representing HK$5.13 per share (2009: HK$3,921 million, representing HK$4.94 per share). Increase in equity attributable to owners of the Company was mainly attributable to the profit generated after deduction of dividends paid during the year.

At 31st December, 2010, the net gearing ratio, being the ratio of net borrowings (total borrowings less cash and bank balances) to equity attributable to owners of the Company, was 2.6% (2009: 2.7%).

FINANCIAL REVIEW (Cont'd)

Pledge of Assets

At 31st December, 2010, apart from the bank deposits and certain listed equity securities pledged to a bank to secure certain general banking facilities granted to the Group, certain motor vehicles with an aggregate carrying value of HK$0.05 million (2009: HK$0.2 million) were pledged to secure certain bank loans granted to the Group. In addition, the share of a Company's subsidiary was pledged to secure certain bank loans granted to the Group.

Tender/Performance/Retention Bonds

At 31st December, 2010, the Group had outstanding tender/performance/retention bonds for construction contracts amounting to HK$203 million (2009: HK$155 million).

Capital Commitments

At 31st December, 2010, the Group has committed capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements and authorised but not contracted for amounting to HK$21 million (2009: Nil) and HK$12 million (2009: Nil) respectively.

FUTURE OUTLOOK

The Board has been continuous paying attention to new investment opportunities to enhance the value of the Company's shareholders. When the right opportunity comes along, the Group will not hesitate to make meaningful investment, provided the Board is certain of the long term prospect of the business. When the right time came along in 2010, the Group has delivered its promise by entering into the ready mixed concrete supply business.

With the concrete batching facilities starting operation, the Group will continue to focus on the development of this business. The Board believes this new business will integrate vertically in both directions with the Group's existing businesses and creating a synergy for the Group. As the construction market is expected to thrive in coming years, the Group holds positive view on its future performance.

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

Hong Kong, 17th March, 2011

EXECUTIVE DIRECTORS

ZEN Wei Pao, William, age 63, 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, and property development divisions. He is the brother of Mr. Zen Wei Peu, Derek.

ZEN Wei Peu, Derek, age 58, 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 30 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 2009 to 2011. He has over 35 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, construction materials and quarrying divisions, as well as CNT. He is the brother of Mr. Zen Wei Pao, William.

CHIU Wai Yee, Anriena, age 47, 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 construction materials division of the Group, the personnel and administration department and secretarial department of the Company.

NON-EXECUTIVE DIRECTORS

LAM Wai Hon, Patrick, age 48, was appointed as a Non-executive Director in September 2000. He is also a Non-executive Director of Road King. Mr. Lam is a Chartered Accountant by training and holds a Master of Business Administration Degree from The University of Edinburgh and a Bachelor Degree from The University of Essex, UK. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales, and a member of the Institute of Chartered Accountants of Ontario, Canada. Mr. Lam is presently Assistant General Manager of New World Development Company Limited and an Executive Director of NWS Holdings Limited, both of which are the substantial shareholders of the Company and the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited. He is also a Director of Guangdong Baolihua New Energy Stock Co., Ltd., a listed company in the PRC, and an Executive Director of Hong Kong Convention and Exhibition Centre (Management) Limited. Mr. Lam was a Non-executive Director of Build King and Taifook Securities Group Limited, the shares of both companies are listed on the Main Board of The Stock Exchange of Hong Kong Limited. Prior to joining the New World Group, Mr. Lam worked for an international accounting firm.

CHU Tat Chi, age 53, 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 the Managing 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 53, 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, a Master Degree of Laws (Chinese and Comparative Law) 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, the Australian Society of Certified Practicing Accountants 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 30 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 Senior Partner of Leslie Cheng & Co. and Chief Executive Officer of L & E Consultants Limited. Dr. Cheng is currently an Independent Non-executive Director 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 60, 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 59, 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 46, 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 20 years of experience in the profession of accounting. He is a fellow member of the Association of Chartered Certified Accountants, UK and the Hong Kong Institute of Certified Public Accountants, a certified tax adviser of 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 both Union Alpha CPA Limited and Union Alpha CAAP Certified Public Accountants Limited, which are professional accounting firms, 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 either the chairman or a member of the Audit Committee/ Remuneration Committee of China Oriental Group Company Limited, Digital China Holdings Limited and eForce Holdings Limited, all of whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited. Mr. Wong was once an Independent Non-executive Director, the chairman of the Audit Committee and a member of both the Remuneration Committee and Nomination Committee of Yardway Group Limited whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited. He was also an Independent Non-executive Director of Lightscape Technologies Inc., a company with its shares traded on the OTC Bulletin Board in the United States of America.

SENIOR MANAGEMENT

CHANG Kam Chuen, Desmond, age 45, joined the Group in May 1997 and is now an Executive Director and the Company Secretary 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 60, 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 the UK. He has over 35 years of experience in both civil engineering and building construction. He is a member of the Contractors Registration Committee Panel, the Contractors Registration Committee, the Minor Works Contractors Registration Committee Panel and the Minor Works Contractors Registration Committee of Buildings Department. He is responsible for Build King's business development in Hong Kong and operation of China market.

CHOY Hon Ping, age 54, joined the Group in 2010. He is a Director of Kaden. He has over 30 years of experience in building construction in Hong Kong. He is a member of The Hong Kong Institution of Engineers and The Chartered Institute of Building (UK). He has been appointed by The Hong Kong Council for Accreditation of Academic and Vocational Qualifications (HKCAAVQ) as the "Construction Specialist" since 2006. He was the Building Committee member (1998-2007 and 2010-2011) and Council member of The Hong Kong Construction Association, Limited (2005-2007). He is responsible for Build King's building operation in Hong Kong.

LIU Sing Pang, Simon, age 49, is a Director and the General Manager of Kaden, a Director of Leader Civil Engineering Corporation Limited and a Director of Wai Kee (Zens) Construction & Transportation Company Limited ("WKC&T"). He is a member of the Institution of Structural Engineers and a member of the Hong Kong Institution of Engineer. He is also a Chartered Engineer of the UK. He has over 20 years of experience in civil engineering and building construction. He is a council member of the Hong Kong Construction Association and a member of the Contractors Registration Committee Panel and the Contractors Registration Committee of Buildings Department. He is responsible for Build King's civil engineering operation in Hong Kong.

LUI Yau Chun, Paul, age 50, has been working with the Group since 1998. He is a Director and the General Manager (Marine) of WKC&T, a Director of Leader Marine Contractors Limited, and 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. He is responsible for Build King's business development and operation in the Middle East.

SENIOR MANAGEMENT (Cont'd)

TONG Sai Man, Simon, age 63, is a Project Director of Build King. Mr. Tong holds a Bachelor of Science Degree in Civil Engineering from The University of Hong Kong and a Master Degree in Engineering Studies from The University of Sydney Australia. He is a member of the Institution of Civil Engineers, United Kingdom, a fellow of The Hong Kong Institution of Engineers and a fellow of The Institution of Engineers, Australia. He is a Registered Professional Engineer (Civil Discipline) in Hong Kong and also a Chartered Engineer of The United Kingdom. He has over 40 years of experience both in civil engineering and building construction. He is responsible for managing two civil contracts for the Wan Chai Development Phase II-Central-Wan Chai Bypass.

John **LEICH**, age 60, joined the Group in November 2010 and is now a Director of Excel Concrete Limited responsible for the construction materials division of the Group. He holds a Bachelor's degree in Civil Engineering from the University of Sydney and has completed studies for a Master's degree in Business Administration at the University of Technology, Sydney. He is a member of the Institute of Quarrying. Mr. Leich was an executive director of Shui On Building Materials Limited and Lamma Rock Products Limited. He has over 30 years of experience in the concrete, cement and quarrying industries.

HO Kin Kwok, William, age 56, joined the Group in March 2010 and is now the General Manager of construction materials division of the Group. Mr. Ho holds a Bachelor Degree of Business Administration from Shenzhen University and a Diploma in Management for Executive Development from The Chinese University of Hong Kong. He is also a Registered Assessor for ISO Quality System. He has extensive experience in the construction materials industry.

CHEUNG Kwan Man, Edmond, age 55, joined the Group in August 1994 and is now the Group Financial Controller responsible for the financial management and the accounting department of the Group. He 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.

YAM Tin Chun, Martin, age 50, 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 chairman of the Company and Build King.

CHAN Mei Kum, Anna, age 47, 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, 2010. 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, 2010.

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 maximise 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 nine Directors including three Executive Directors, three Non-executive Directors and three Independent Non-executive Directors. The three 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, five 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)*	5	100%
Zen Wei Peu, Derek *(Vice Chairman)*	5	100%
Chiu Wai Yee, Anriena	5	100%
Non-executive Directors:		
Lam Wai Hon, Patrick	5	100%
Chu Tat Chi	5	100%
Cheng Chi Pang, Leslie	4	80%
Independent Non-executive Directors:		
Wong Che Ming, Steve	5	100%
Wan Siu Kau, Samuel	5	100%
Wong Man Chung, Francis	5	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, and property development 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 three 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)*	3	100%
Wong Che Ming, Steve	3	100%
Wong Man Chung, Francis	3	100%
Zen Wei Pao, William	3	100%
Zen Wei Peu, Derek	3	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.

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 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.

AUDIT COMMITTEE (Cont'd)

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

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

During the year, the Audit Committee held 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$2,375,000 and non-audit services (including tax services) amounting to approximately HK$1,490,000.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

The statement of the external auditor of the Company, Messrs. Deloitte Touche Tohmatsu, about their reporting responsibilities on the financial statements of the Group, is set out on pages 42 to 43 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 consolidated financial statements for the year ended 31st December, 2010.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its principal subsidiaries, associates and jointly controlled entities are set out in notes 55, 22 and 23 to the consolidated financial statements respectively.

CUSTOMERS AND SUPPLIERS

For the year ended 31st December, 2010, the five largest customers of the Group together accounted for approximately 88% of the Group's revenue, with the largest customer accounted for approximately 42%, and the five largest suppliers of the Group together represented approximately 16% 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, 2010 are set out in the consolidated income statement and consolidated statement of comprehensive income on pages 44 to 45.

An interim dividend of HK5 cents per share was paid to shareholders during the year. The Directors recommend the payment of a final dividend of HK5 cents per share for the year ended 31st December, 2010 to shareholders whose names appear in the Register of Members of the Company on 25th May, 2011. The amount of dividend paid for the year is set out in note 16 to the consolidated financial statements.

SEGMENT INFORMATION

Details of the segment information are set out in note 6 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 48.

FINANCIAL SUMMARY

A summary of the results and of the financial position of the Group for the past five financial years is set out on page 139.

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 18 to the consolidated 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 44 and 46 to the consolidated 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)*
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

In accordance with Bye-law 87 of the Company's Bye-laws, Mr. Zen Wei Peu, Derek, 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, 2010, 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, 2010, 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:

(I) The Company

Interests in shares

Name of Director	Capacity/ Nature of interest	Number of shares held: Long position		Number of shares held: 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	185,557,078	*(Note 1)*	–	23.40
	Personal	770,000	*(Note 2)*	–	0.10
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	330,000	*(Note 2)*	–	0.04
Wong Che Ming, Steve	Personal	900,000	*(Note 1)*	–	0.11
	Personal	330,000	*(Note 2)*	–	0.04
Wan Siu Kau, Samuel	Personal	330,000	*(Note 2)*	–	0.04
Wong Man Chung, Francis	Personal	330,000	*(Note 2)*	–	0.04

DIRECTORS' INTERESTS AND SHORT POSITIONS (Cont'd)

(I) The Company (Cont'd)

Interests in shares *(Cont'd)*

Notes:

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

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

(II) Associated Corporations

Interests in shares

Name of Director	Name of company	Capacity/ Nature of interest	Number of shares held Long position		Number of shares held Short position	Percentage of the issued ordinary share capital	
						(%)	
Zen Wei Pao, William	Build King Holdings Limited	Personal	1,400,000	*(Note 1)*	–	0.11	*(Note 3)*
	Road King Infrastructure Limited	Personal	4,324,000	*(Note 1)*	–	0.58	
			6,400,000	*(Note 2)*	–	0.86	
	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
						(%)
Zen Wei Peu, Derek	Build King Holdings Limited	Personal	123,105,228	*(Note 1)*	–	9.91
	Chai-Na-Ta Corp.	Personal	253,728	*(Note 1)*	–	0.73
	Road King Infrastructure Limited	Personal	6,053,000	*(Note 1)*	–	0.82
		Personal	3,150,000	*(Note 2)*	–	0.42
	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
Chiu Wai Yee, Anriena	Build King Holdings Limited	Personal	1,116,000	*(Note 1)*	–	0.09
	Chai-Na-Ta Corp.	Personal	1,920	*(Note 1)*	–	0.01
	Road King Infrastructure Limited	Personal	205,000	*(Note 1)*	–	0.03
		Personal	200,000	*(Note 2)*	–	0.03
Lam Wai Hon, Patrick	Build King Holdings Limited	Personal	186,666	*(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)*	–	0.09
Wong Che Ming, Steve	Build King Holdings Limited	Personal	407,448	*(Note 1)*	–	0.03

DIRECTORS' INTERESTS AND SHORT POSITIONS (Cont'd)

(II) Associated Corporations (Cont'd)

***Interests in shares** (Cont'd)*

Notes:

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

2. Long position in the underlying shares of 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, 2010, the issued share capital of Build King was 1,241,877,992 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.

Details of the Share Option Scheme are set out in note 46 to the consolidated 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.

SHARE OPTIONS (Cont'd)

(I) The Company (Cont'd)

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

Name	Date of grant	Exercisable period	Exercise price	Number of share options				
				Balance at 1.1.2010	Granted during the year	Exercised during the year	Lapsed during the year	Balance at 31.12.2010
			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
Chiu Wai Yee, Anriena	9th July, 2007	9th July, 2008 to 8th July, 2011	3.39	550,000	–	–	–	550,000
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				4,070,000	–	–	–	4,070,000
Others								
Employees	9th July, 2007	9th July, 2008 to 8th July, 2011	3.39	1,210,000	–	–	–	1,210,000
Sub-total				1,210,000	–	–	–	1,210,000
Total				**5,280,000**	**–**	**–**	**–**	**5,280,000**

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, 2010, Road King has granted 22,200,000 share options under the Road King Share Option Scheme to three Directors of the Company, 12,145,000 share options have been exercised and 305,000 share options have lapsed.

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 1.1.2010	Granted during the year#	Exercised during the year*	Lapsed during the year	Balance at 31.12.2010
			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
	9th April, 2010	9th April, 2010 to 8th April, 2015	6.79	–	1,400,000	–	–	1,400,000
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
	9th April, 2010	9th April, 2010 to 8th April, 2015	6.79	–	850,000	–	–	850,000
Chiu Wai Yee, Anriena	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				**8,600,000**	**2,250,000**	**(1,100,000)**	**–**	**9,750,000**

\# The closing price of the shares of Road King immediately before the date of grant was HK$6.27.

* The weighted average closing price of the shares of Road King immediately before the date on which the share options were exercised is HK$6.68.

SHARE OPTIONS (Cont'd)

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, 2010, so far as is known to any Director of the Company, the following persons (other than Directors of the Company) have interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

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

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.

SUBSTANTIAL SHAREHOLDERS' INTERESTS (Cont'd)

Notes: (Cont'd)

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.

DISCLOSURES PURSUANT TO RULES 13.17 AND 13.21 OF THE LISTING RULES

Wai Kee (Zens) Construction & Transportation Company Limited, Kaden Construction Limited and Leader Civil Engineering Corporation Limited (collectively the "Borrowers", all of which are wholly owned subsidiaries of Build King) and Mr. Zen Wei Peu, Derek ("Mr. Zen") have signed a banking facility letter with The Hongkong and Shanghai Banking Corporation Limited ("HSBC") on 29th December, 2009.

Mr. Zen agreed to charge his 11,000,000 shares of the Company (the "Share Charge", representing approximately 1.39% of the issued share capital of the Company) in favour of HSBC. The Share Charge is the security to secure the personal guarantee of HK$12.5 million provided by Mr. Zen in favour of HSBC in relation to the banking facilities in the amount of HK$62.3 million for a period up to 15th October, 2010 provided by HSBC to the Borrowers. Subsequently, the banking facilities were renewed and extended to 15th October, 2011.

Save as disclosed above, as at 31st December, 2010, the Company did not have other disclosure obligations under Rules 13.17 and 13.21 of the Listing Rules.

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, 2010.

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 approximately HK$74,000.

EMPLOYEES AND REMUNERATION POLICIES

At 31st December, 2010, the Group had 949 employees (2009: 811 employees), of which 705 (2009: 541) were located in Hong Kong, 125 (2009: 122) were located in PRC, 119 (2009: 147) were located in UAE and no (2009: 1) employee was located in Taiwan. For the year ended 31st December, 2010, the Group's total staff costs were about HK$201 million (2009: HK$185 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

17th March, 2011

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 44 to 138, which comprise the consolidated statement of financial position as at 31st December, 2010, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 of the consolidated financial statements that give a true and fair view 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, 2010 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.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
17th March, 2011

Consolidated Income Statement

For the year ended 31st December, 2010

	Notes	2010 HK$'000	2009 HK$'000
Continuing operations			
Group revenue	5	**734,273**	844,313
Cost of sales		**(673,764)**	(756,649)
Gross profit		**60,509**	87,664
Other income	7	**23,852**	13,198
Investment income, gains and losses	8	**5,641**	27,375
Selling and distribution costs		**(2,083)**	(654)
Administrative expenses		**(163,108)**	(109,484)
Change in fair value of structured borrowing	39	**304**	15,196
Finance costs	9	**(3,760)**	(7,976)
Share of results of associates	22	**241,019**	280,586
Share of results of jointly controlled entities	23	**30,039**	37,869
Other gains and losses	10	**16,889**	2,035
Profit before tax	11	**209,302**	345,809
Income tax expense	14	**(322)**	(4,182)
Profit for the year from continuing operations		**208,980**	341,627
Discontinued operation			
Profit for the period from discontinued operation	15	**–**	5,293
Profit for the year		**208,980**	346,920
Profit for the year attributable to:			
Owners of the Company		**205,588**	315,821
Non-controlling interests		**3,392**	31,099
		208,980	346,920
		HK cents	*HK cents*
Earnings per share	17		
From continuing and discontinued operations			
– Basic		**25.92**	39.82
– Diluted		**25.92**	39.82
From continuing operations			
– Basic		**25.92**	39.15
– Diluted		**25.92**	39.15

	2010	2009
	HK$'000	*HK$'000*
Profit for the year	**208,980**	346,920
Other comprehensive income		
Exchange difference arising on translation of foreign operations	**2,300**	(563)
Reclassification adjustment for translation reserve upon disposal of interest in an associate	**(8,300)**	–
Reclassification adjustment for translation reserve upon disposal of interests in subsidiaries	**3,439**	(7,380)
Reclassification adjustment for translation reserve upon disposal of interest in a jointly controlled entity	**(4,156)**	–
Share of other comprehensive income of associates	**57,107**	24,131
Other comprehensive income for the year	**50,390**	16,188
Total comprehensive income for the year	**259,370**	363,108
Total comprehensive income for the year attributable to:		
Owners of the Company	**254,937**	332,267
Non-controlling interests	**4,433**	30,841
	259,370	363,108

	Notes	31st December, 2010 HK$'000	31st December, 2009 (restated) HK$'000	1st January, 2009 (restated) HK$'000
Non-current assets				
Property, plant and equipment	18	**76,093**	27,074	35,133
Prepaid lease payments on land use rights		**–**	–	5,761
Intangible assets	19	**65,826**	32,858	32,858
Goodwill	20	**29,838**	29,838	29,838
Interests in associates	22	**3,936,343**	3,869,244	3,677,758
Interests in jointly controlled entities	23	**59,465**	87,479	62,946
Available-for-sale investments	24	**–**	–	–
Prepaid royalties	25	**–**	142	979
Loan and other receivables	26	**–**	1,017	3,408
Other financial asset	27	**52,381**	51,520	47,505
		4,219,946	4,099,172	3,896,186
Current assets				
Prepaid lease payments on land use rights		**–**	–	134
Prepaid royalties	25	**1,274**	1,567	2,337
Inventories	28	**3,055**	5,513	18,563
Amounts due from customers for contract work	29	**66,493**	99,057	151,821
Debtors, deposits and prepayments	30	**305,449**	218,823	254,810
Amounts due from associates	31	**7,180**	6,766	7,182
Amounts due from jointly controlled entities	31	**17,456**	5,211	21,889
Tax recoverable		**–**	–	1,239
Held-for-trading investments	32	**36,618**	43,975	28,566
Pledged bank deposits	33	**19**	1,815	1,013
Bank balances and cash	33	**58,623**	33,107	61,707
		496,167	415,834	549,261
Current liabilities				
Amounts due to customers for contract work	29	**30,373**	35,358	75,867
Creditors and accrued charges	34	**298,262**	280,136	323,368
Amounts due to jointly controlled entities	35	**2,782**	16,745	14,270
Amount due to an associate	35	**8,842**	7,738	6,632
Amount due to a related company	35	**611**	611	546
Amounts due to non-controlling shareholders	35	**3,359**	3,359	3,359
Tax liabilities		**193**	2,304	1,179
Loans from a director	36	**–**	10,000	10,000
Other borrowings	37	**44**	41	11,005
Bank loans	38	**126,600**	104,048	276,523
Structured borrowing	39	**12,561**	12,480	12,480
Bank overdrafts, secured		**–**	–	4,749
		483,627	472,820	739,978
Net current assets (liabilities)		**12,540**	(56,986)	(190,717)
Total assets less current liabilities		**4,232,486**	4,042,186	3,705,469

	Notes	31st December, 2010 HK$'000	31st December, 2009 (restated) HK$'000	1st January, 2009 (restated) HK$'000
Non-current liabilities				
Deferred tax liabilities	*40*	**5,750**	5,750	5,750
Obligations in excess of interests in associates	*22*	**18,932**	18,744	20,453
Loans from non-controlling shareholders	*41*	**–**	3,185	1,460
Amount due to an associate	*42*	**8,172**	8,961	9,800
Amount due to a jointly controlled entity	*43*	**4,067**	4,067	4,067
Other borrowings	*37*	**30**	74	115
Bank loans	*38*	**26,345**	54	230
Structured borrowing	*39*	**–**	12,865	40,541
		63,296	53,700	82,416
Net assets		**4,169,190**	3,988,486	3,623,053
Capital and reserves				
Share capital	*44*	**79,312**	79,312	79,312
Share premium and reserves		**3,986,548**	3,841,356	3,506,764
Equity attributable to owners of the Company		**4,065,860**	3,920,668	3,586,076
Non-controlling interests		**103,330**	67,818	36,977
Total equity		**4,169,190**	3,988,486	3,623,053

The consolidated financial statements on pages 44 to 138 were approved and authorised for issue by the Board of Directors on 17th March, 2011 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$'000 (note 45)	Special reserve HK$'000 (note a)	Share options reserve HK$'000	Assets revaluation reserve HK$'000	Other reserve HK$'000 (note b)	Retained profits HK$'000	Total equity attributable to owners of the Company HK$'000	Non-controlling interests HK$'000 (note 45)	Total equity HK$'000
At 1st January, 2009	79,312	731,906	502,261	(29,530)	3,393	2,319	–	2,296,415	3,586,076	36,977	3,623,053
Profit for the year	–	–	–	–	–	–	–	315,821	315,821	31,099	346,920
Other comprehensive income (expense) for the year	–	–	16,446	–	–	–	–	–	16,446	(258)	16,188
Total comprehensive income for the year	–	–	16,446	–	–	–	–	315,821	332,267	30,841	363,108
Sub-total	79,312	731,906	518,707	(29,530)	3,393	2,319	–	2,612,236	3,918,343	67,818	3,986,161
Lapse or cancellation of share options issued by an associate	–	–	–	–	–	–	–	2,325	2,325	–	2,325
Lapse of share options	–	–	–	–	(320)	–	–	320	–	–	–
At 31st December, 2009	79,312	731,906	518,707	(29,530)	3,073	2,319	–	2,614,881	3,920,668	67,818	3,988,486
Profit for the year	–	–	–	–	–	–	–	205,588	205,588	3,392	208,980
Other comprehensive income for the year	–	–	48,623	–	–	–	–	726	49,349	1,041	50,390
Total comprehensive income for the year	–	–	48,623	–	–	–	–	206,314	254,937	4,433	259,370
Sub-total	79,312	731,906	567,330	(29,530)	3,073	2,319	–	2,821,195	4,175,605	72,251	4,247,856
Lapse or cancellation of share options issued by an associate	–	–	–	–	–	–	–	1,697	1,697	–	1,697
Arising on capital injection into a subsidiary	–	–	–	–	–	–	(8,336)	–	(8,336)	8,336	–
Capital contribution from non-controlling shareholders of a subsidiary	–	–	–	–	–	–	–	–	–	22,743	22,743
Dividends paid *(note 16)*	–	–	–	–	–	–	–	(103,106)	(103,106)	–	(103,106)
At 31st December, 2010	**79,312**	**731,906**	**567,330**	**(29,530)**	**3,073**	**2,319**	**(8,336)**	**2,719,786**	**4,065,860**	**103,330**	**4,169,190**

Notes:

(a) 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.

(b) The other reserve of the Group represents the change in net assets attributable to the Group in relation to the increase in ownership interests in subsidiaries.

	Notes	2010 HK$'000	2009 HK$'000
Operating activities			
Profit for the year		**208,980**	346,920
Adjustments for:			
Income tax expense		**322**	4,182
Finance costs		**3,760**	8,647
Share of results of associates		**(241,019)**	(280,586)
Share of results of jointly controlled entities		**(30,039)**	(37,869)
Depreciation of property, plant and equipment		**11,977**	16,559
Amortisation of intangible assets		**599**	–
Amortisation of prepaid lease payments on land use rights		**–**	67
Gain on disposal of property, plant and equipment, net		**(3,595)**	(2,555)
Gain on disposal of interest in an associate		**(8,300)**	–
Discount on acquisition of additional interest in an associate		**(3,837)**	–
Loss on deemed disposal of partial interest in an associate		**7,808**	520
Gain on disposal of interest in a jointly controlled entity		**(3,042)**	–
Gain on disposal of a subsidiary/bio-technology operation		**(5,923)**	(13,388)
Interest on bank deposits		**(65)**	(25)
Interest on loan and other receivables		**–**	(36)
Interest on other financial asset		**(1,449)**	(1,436)
Net gain on change in fair value and disposal of held-for-trading investments		**(3,599)**	(25,742)
Change in fair value of structured borrowing		**(304)**	(15,196)
Allowance for amounts due from jointly controlled entities		**–**	2,000
Write-down of inventories		**1,430**	–
Reversal of allowance for doubtful debts, net		**–**	(1,553)
Bad debts written off		**373**	147
Operating cash flows before movements in working capital		**(65,923)**	656
Increase in other financial asset		**(861)**	(4,015)
Decrease (increase) in inventories		**1,028**	(17,245)
Decrease in amounts due from customers for contract work		**32,578**	52,784
(Increase) decrease in debtors, deposits and prepayments and prepaid royalties		**(87,580)**	31,485
Decrease in held-for-trading investments		**10,956**	10,333
Decrease in amounts due to customers for contract work		**(4,985)**	(40,509)
Increase (decrease) in creditors and accrued charges		**27,504**	(6,099)
Cash (used in) from operations		**(87,283)**	27,390
Income taxes paid		**(2,433)**	(1,818)
Net cash (used in) from operating activities		**(89,716)**	25,572

	Notes	2010 HK$'000	2009 HK$'000
Investing activities			
Interest on bank deposits received		**65**	25
Interest on loan and other receivables received		**–**	36
Interest on other financial asset		**1,449**	1,436
Distribution of profits from jointly controlled entities		**35,216**	13,560
Dividends received from an associate		**141,659**	113,327
(Advances to) repayment from associates		**(412)**	416
(Advances to) repayment from jointly controlled entities		**(26,208)**	17,153
Proceeds from disposal of interests in subsidiaries	47 & 15	**–**	13,801
Proceeds from disposal of interest in an associate	10(a)	**88,310**	–
Proceeds from disposal of interest in a jointly controlled entity	10(d)	**21,723**	–
Proceeds from disposal of property, plant and equipment		**3,599**	2,673
Decrease (increase) in pledged bank deposits		**1,796**	(802)
Purchase of property, plant and equipment		**(61,007)**	(10,252)
Decrease in loan and other receivables		**2,000**	2,726
Acquisition of additional interest in an associate	10(b)	**(1,028)**	–
Addition of intangible asset		**(33,567)**	–
Net cash from investing activities		**173,595**	154,099
Financing activities			
Interest paid on bank and other borrowings		**(3,447)**	(8,315)
Capital contribution from non-controlling shareholders of a subsidiary		**22,743**	–
New bank loans raised		**91,000**	47,000
Other borrowings raised		**–**	15,251
Repayment of bank loans		**(42,157)**	(219,651)
Repayment of loans from a director		**(10,000)**	–
Repayment of other borrowings		**(41)**	(26,256)
Repayment of structured borrowing		**(12,480)**	(12,480)
Dividends paid		**(103,106)**	–
(Repayment to) advances from non-controlling shareholders		**(3,185)**	1,725
Net cash used in financing activities		**(60,673)**	(202,726)
Net increase (decrease) in cash and cash equivalents		**23,206**	(23,055)
Cash and cash equivalents at the beginning of the year		**33,107**	56,958
Effect of foreign exchange rate changes, net		**2,310**	(796)
Cash and cash equivalents at the end of the year		**58,623**	33,107
Analysis of the balance of cash and cash equivalents			
Bank balances and cash		**58,623**	33,107

1. GENERAL

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

The consolidated financial statements are presented in Hong Kong dollars which is the functional currency of the Company.

The Company acts as an investment holding company. The principal activities of its principal subsidiaries, associates and jointly controlled entities are set out in notes 55, 22 and 23 respectively.

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

In the current year, the Group has applied the following Hong Kong Accounting Standards ("HKAS(s)"), Hong Kong Financial Reporting Standards ("HKFRS(s)"), amendments and interpretations ("HK(IFRIC) – Int") (hereinafter collectively referred to as the "new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"):

HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised 2008)	Business Combinations
HKAS 27 (Revised 2008)	Consolidated and Separate Financial Statements
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners
HK – Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Except as described below, the application of the new and revised HKFRSs in the current year has had no material effect on the amounts reported in the Group's consolidated financial statements and/or disclosures set out in the Group's consolidated financial statements.

HKFRS 3 (Revised 2008) "Business Combinations"

The Group applies HKFRS 3 (Revised 2008) "Business Combinations" prospectively to business combinations for which the acquisition date is on or after 1st January, 2010.

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

HKFRS 3 (Revised 2008) "Business Combinations" (Cont'd)

As there was no significant transaction during the year in which HKFRS 3 (Revised 2008) is applicable, the application of HKFRS 3 (Revised 2008) and the consequential amendments to the other HKFRSs had no effect on the consolidated financial statements of the Group for the current and prior years.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised 2008) and the consequential amendments to the other HKFRSs are applicable.

HKAS 27 (Revised 2008) "Consolidated and Separate Financial Statements"

The application of HKAS 27 (Revised 2008) has resulted in changes in the Group's accounting policies for changes in ownership interests in subsidiaries of the Group.

Specifically, the revised standard has affected the Group's accounting policies regarding changes in the Group's ownership interests in its subsidiaries that do not result in loss of control. In prior years, in the absence of specific requirements in HKFRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised, when appropriate; for decreases in interests in existing subsidiaries that did not result in a loss of control, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss. Under HKAS 27 (Revised 2008), all such increases or decreases are dealt with in equity, with no impact on goodwill or profit or loss.

When control of a subsidiary is lost as a result of a transaction, event or other circumstances, the revised standard requires the Group to derecognise all assets, liabilities and non-controlling interests at their carrying amounts and to recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

These changes have been applied prospectively from 1st January, 2010 in accordance with the relevant transitional provisions.

In respect of the increases in the Group's ownership interests in subsidiaries during the year, the impact of the change in accounting policy has been that the change in share of net assets attributable to the Group of HK$8,336,000 (being the difference between the subscription monies paid for additional shares subscribed and the Group's share of the carrying amount of the additional net assets of the subsidiaries acquired) has been recognised directly in equity. Had the previous accounting policy been applied, the goodwill at 31st December, 2010 would have been increased by HK$8,336,000.

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

HKAS 27 (Revised 2008) "Consolidated and Separate Financial Statements" (Cont'd)

In addition, under HKAS 27 (Revised 2008), the definition of non-controlling interest has been changed. Specifically, under the revised standard, non-controlling interest is defined as the equity in a subsidiary not attributable, directly or indirectly, to a parent.

Hong Kong Interpretation 5 "Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause"

Hong Kong Interpretation 5 "Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause" ("HK – Int 5") clarifies that term loans that include a clause that gives the lender the unconditional right to call the loans at any time ("repayment on demand clause") should be classified by the borrower as current liabilities. The Group has applied HK – Int 5 for the first time in the current year. HK – Int 5 requires retrospective application.

In order to comply with the requirements set out in HK – Int 5, the Group has changed its accounting policy on classification of term loans with a repayment on demand clause. In the prior years, the classification of such term loans were determined based on the agreed scheduled repayment dates set out in the loan agreements. Under HK – Int 5, term loans with a repayment on demand clause are classified as current liabilities.

As a result, bank loans that contain a repayment on demand clause with the aggregate carrying amounts of HK$45,250,000 and HK$36,250,000 have been reclassified from non-current liabilities to current liabilities at 31st December, 2009 and 1st January, 2009 respectively. At 31st December, 2010, bank loans (that are repayable more than one year after the end of the reporting period but contain a repayment on demand clause) with the aggregate carrying amount of HK$56,956,000 have been classified as current liabilities. The application of HK – Int 5 has had no impact on the reported profit or loss for the current and prior years.

Such term loans have been presented in the earliest time band in the maturity analysis for financial liabilities (see note 49(b) for details).

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

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

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010[1]
HKFRS 1 (Amendments)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[2]
HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[3]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[3]
HKFRS 9	Financial Instruments[4]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[5]
HKAS 24 (Revised 2009)	Related Party Disclosures[6]
HKAS 32 (Amendments)	Classification of Rights Issues[7]
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[6]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]

1 Effective for annual periods beginning on or after 1st July, 2010 or 1st January, 2011, as appropriate.
2 Effective for annual periods beginning on or after 1st July, 2010.
3 Effective for annual periods beginning on or after 1st July, 2011.
4 Effective for annual periods beginning on or after 1st January, 2013.
5 Effective for annual periods beginning on or after 1st January, 2012.
6 Effective for annual periods beginning on or after 1st January, 2011.
7 Effective for annual periods beginning on or after 1st February, 2010.

HKFRS 9 "Financial Instruments" (issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 "Financial Instruments" (revised in November 2010) adds requirements for financial liabilities and for derecognition.

- Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

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

- In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss ("FVTPL"). Specifically, under HKFRS 9, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at FVTPL was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1st January, 2013, with earlier application permitted.

The directors anticipate that HKFRS 9 will be adopted in the Group's consolidated financial statements for the year ending 31st December, 2013 and that the application of HKFRS 9 may have impact on the amounts of the Groups' financial assets and financial liabilities.

The directors of the Company anticipate that the application of other new and revised standards, amendments and interpretations will not have material impact on the Group's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

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 consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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 in full on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to 1st January, 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

Changes in the Group's ownership interests in existing subsidiaries on or after 1st January, 2010

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Basis of consolidation (Cont'd)

Changes in the Group's ownership interests in existing subsidiaries on or after 1st January, 2010 (Cont'd)

When the Group losses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 "Financial Instruments: Recognition and Measurement" or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Changes in the Group's ownership interests in existing subsidiaries prior to 1st January, 2010

Increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised where appropriate. For decreases in interests in subsidiaries, regardless of whether the disposals would result in the Group losing control over the subsidiaries, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss.

Business combinations

Business combinations that took place on or after 1st January, 2010

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Business combinations (Cont'd)

Business combinations that took place on or after 1st January, 2010 (Cont'd)

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income Taxes" and HKAS 19 "Employee Benefits" respectively;

- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with HKFRS 2 "Share-based Payment" at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or another measurement basis required by another standard.

Where the consideration the Group transfers in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gain on bargain purchase. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. Measurement period does not exceed one year from the acquisition date.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Business combinations (Cont'd)

Business combinations that took place on or after 1st January, 2010 (Cont'd)

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets", as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

Changes in the value of the previously held equity interest recognised in other comprehensive income and accumulated in equity before the acquisition date are reclassified to profit or loss when the Group obtains control over the acquiree.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Business combinations that took place prior to 1st January, 2010

Acquisition of businesses was accounted for using the purchase method. The cost of the acquisition was 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 met the relevant conditions for recognition were generally recognised at their fair value at the acquisition date.

Goodwill arising on acquisition was recognised as an asset and initially measured at cost, being the excess of the cost of the acquisition over the Group's interest in the recognised amounts of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the recognised amounts of the acquiree's identifiable assets, liabilities and contingent liabilities exceeded the cost of the acquisition, the excess was recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Business combinations (Cont'd)

Business combinations that took place prior to 1st January, 2010 (Cont'd)

The minority interest in the acquiree was initially measured at the minority interest's proportionate share of the recognised amounts of the assets, liabilities and contingent liabilities of the acquiree.

Contingent consideration was recognised, if and only if, the contingent consideration was probable and could be measured reliably. Subsequent adjustments to contingent consideration were recognised against the cost of the acquisition.

Business combinations achieved in stages were accounted for as separate steps. Goodwill was determined at each step. Any additional acquisition did not affect the previously recognised goodwill.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequency whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit, 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 profit or loss in the consolidated statement of comprehensive income. An impairment loss for goodwill is not reversed in subsequent periods.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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.

Deposits and instalments received from purchasers prior to meeting the above criteria on revenue recognition are included in the consolidated statement of financial position under current liabilities.

Construction contract

When the outcome of a construction contract can be estimated reliably, revenue from fixed price construction contracts is recognised using 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 the amount can be measured reliably and its receipt is considered probable.

When the outcome of a construction contract cannot be estimated reliably, contract 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. It is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Service income, including that from operating services provided under service concession arrangements, is recognised when services are provided.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Revenue recognition (Cont'd)

Others (Cont'd)

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. 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 on initial recognition.

Dividend income from investments is recognised when the shareholder's rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Property, plant and equipment

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

Depreciation is recognised so as to write off the cost of items of property, plant and equipment (other than plant under construction) over their estimated useful lives using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Plant in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories 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.

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

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 the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Intangible assets

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date which is regarded as their cost.

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 losses on tangible and intangible assets below).

Service concession arrangements

When the Group has a right to charge for usage of concession infrastructure (as a consideration for providing construction service in a service concession arrangement), it recognises an intangible asset at fair value upon initial recognition. The intangible asset is carried at cost (which equals to fair value at initial recognition) less accumulated amortisation and any accumulated impairment losses. Amortisation commences when the intangible asset is available for use.

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. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. 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. Additional losses are 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 cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Investments in associates (Cont'd)

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Interests in 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 initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the jointly controlled entities. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the jointly controlled entity recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Interests in jointly controlled entities (Cont'd)

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a jointly controlled entity. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

From 1st January, 2010 onwards, upon disposal of a jointly controlled entity that results in the Group losing joint control over that jointly controlled entity, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. The difference between the previous carrying amount of the jointly controlled entity attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the jointly controlled entity. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that jointly controlled entity on the same basis as would be required if that jointly controlled entity had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that jointly controlled entity would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses joint control over that jointly controlled entity.

When a group entity transacts with its jointly controlled entity, profits or losses resulting from the transactions with the jointly controlled entity are recognised in the Group's consolidated financial statements only to the extent of interests in the jointly controlled entity that are not related to the Group.

Inventories

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

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Construction contracts

Where the outcome of a construction contract including construction or upgrade 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 end of the reporting period, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

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 end of the reporting period are recorded in the consolidated statement of financial position at the net amount of costs incurred to date plus recognised profits less recognised losses and progress billings, and are presented in the consolidated statement of financial position 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 statement of financial position under "Creditors and accrued charges". Amounts billed, but not yet paid by the customers, for work performed on contracts are included in the consolidated statement of financial position under "Debtors, deposits and prepayments".

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 the end of the reporting period 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).

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Service concession arrangements (Cont'd)

When the Group has a right to charge for usage of concession infrastructure (as a consideration for providing construction service in a service concession arrangement), it recognises an intangible asset at fair value upon initial recognition (see accounting policy on intangible assets above).

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 in the consolidated statement of financial position 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 FVTPL) 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 FVTPL are recognised immediately in profit or loss.

Financial assets

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

Financial assets at fair value through profit or loss

The Group's financial assets at FVTPL 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.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Loans and receivables

Loans and receivables are non-derivate financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including loan and other receivables, other financial asset, 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).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

Available-for-sale equity investments do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period (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 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 to the net carrying amount on initial recognition.

Impairment loss on financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. 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 affected.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Impairment loss on financial assets (Cont'd)

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

- significant financial difficulty of the issuer or counterparty;
- breach of contract, such as default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

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, 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. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in reserve.

3. 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 FVTPL and other financial liabilities.

Financial liabilities at fair value through profit or loss

The Group's financial liabilities at FVTPL are the financial liabilities designated at FVTPL on initial recognition.

A financial liability may be designated as at FVTPL 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 FVTPL.

The Group's structured borrowing is designated as financial liability at FVTPL. Subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value arising on remeasurement 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 non-controlling shareholders, bank and other borrowings, and loans from a director and non-controlling shareholders) are subsequently measured at amortised cost using the effective interest method.

Equity instruments

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

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial liabilities and equity instruments (Cont'd)

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 to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis other than those financial liabilities classified as at FVTPL, of which 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 the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Embedded derivatives

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

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset in its entirety, 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 other comprehensive income 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Leasing

Leases are classified as finance leases whenever 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 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 statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's policy on borrowing costs.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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 the end of the reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at that 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 re-translation of monetary items, are recognised in profit or loss in the period in which they arise.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Foreign currencies (Cont'd)

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 end of each reporting period, 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 in other comprehensive income and accumulated in equity (the translation reserve).

From 1st January, 2010 onwards, on the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

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 end of the reporting period.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Taxation (Cont'd)

Deferred tax liabilities are recognised for taxable temporary differences associated with 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. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profit against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period 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 assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in to profit or loss, except when it relates to items are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Retirement benefit costs

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.

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 the end of the reporting period, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Share-based payment transactions (Cont'd)

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.

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

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. 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. An impairment loss is recognised as an expense immediately.

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, 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 year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Cont'd)

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 licenses with indefinite useful lives) arising from the acquisition of a subsidiary, which is included in the consolidated statement of financial position at 31st December, 2010 at HK$32,858,000 (31st December, 2009: HK$32,858,000) requires an estimation of the revenue to be generated in future periods from the acquired construction licenses. The construction projects successfully secured by the Group have reconfirmed management's previous estimates of anticipated revenues generated from the acquired construction licenses. However, increased market competition has caused management to reconsider its assumptions regarding future market share 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 activities indicate such adjustments are appropriate.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit 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 unit and a suitable discount rate in order to calculate the present value. At 31st December, 2010, the carrying amount of goodwill is HK$29,838,000 (31st December, 2009: HK$29,838,000). Details of the recoverable amount calculation are disclosed in note 21.

Income tax

At 31st December, 2010, no deferred tax asset has been recognised in the Group's consolidated statement of financial position in relation to unused tax losses of HK$556,119,000 (31st December, 2009: HK$482,560,000) due to unpredictability of future profit streams (see note 40). The realisability of the unrecognised deferred tax asset mainly depends on whether sufficient future profit or taxable temporary differences will be available in the future.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Cont'd)

Construction contracts

The Group recognised profits and losses from construction contracts, which were derived from the latest available budgets of those construction contracts based on the overall performance of each construction contract and the 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, the 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 entities and the Group and were based on the overall performance of each construction contract.

5. GROUP REVENUE

	2010 ***HK$'000***	2009 *HK$'000*
Continuing operations		
Group revenue	**734,273**	844,313
Share of revenue of jointly controlled entities	**192,572**	213,071
Group revenue and share of revenue of jointly controlled entities	**926,845**	1,057,384
Group revenue analysed by revenue from:		
Construction	**722,396**	822,072
Quarrying	**9,651**	22,241
Construction materials	**2,226**	–
	734,273	844,313

6. SEGMENT INFORMATION

Commencing on 16th March, 2010, the Group has leased a land in the Hong Kong Special Administrative Region (the "HKSAR") for the purpose of concrete production. Since then, information related to concrete production has been separated from unallocated items as "construction materials" operating segment in the internal reports and are regularly reviewed by the chief operating decision maker for the purposes of resource allocation and performance assessment. The segment information for the year ended 31st December, 2009 has been restated to conform to current year presentation.

Information reported to the board of directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. Specifically, the Group's reportable segments under HKFRS 8 are summarised as follows:

Construction
– construction of civil engineering and building projects

Quarrying
– production and sale of quarry products

Construction materials
– production and sale of concrete

Highway and expressway operations and property development
– strategic investment in Road King Infrastructure Limited ("Road King"), an associate of the Group
– strategic investment in Sunco Property Holdings Company Limited ("Sunco"), an associate of the Group *(note a)*

North American ginseng
– strategic investment in Chai-Na-Ta Corp. ("CNT"), an associate of the Group

Bio-technology *(note b)*
– research, development, production and sale of bio-technology products

Notes:

(a) The direct investment in Sunco was disposed of to Road King during the year as set out in note 10(a).

(b) The bio-technology operation was disposed of and discontinued during the year ended 31st December, 2009 as set out in note 15.

6. SEGMENT INFORMATION (Cont'd)

Segment revenue and results

The following is an analysis of the segment revenue and results:

	Segment revenue		Segment profit (loss)	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Continuing operations				
Construction	**914,968**	1,035,143	**13,413**	34,403
Quarrying	**10,546**	22,241	**(8,464)**	1,939
Construction materials	**2,228**	–	**(30,813)**	(5,193)
Highway and expressway operations and property development				
Share of results of Road King and Sunco	**–**	–	**239,020**	277,149
Gain on disposal of interest in Sunco	**–**	–	**8,300**	–
North American ginseng	**–**	–	**2,213**	1,756
Elimination of inter-segment revenue	**(897)**	–	**–**	–
Total for continuing operations	**926,845**	1,057,384	**223,669**	310,054
Discontinued operation				
Bio-technology	**–**	–	**–**	5,293
Total	**926,845**	1,057,384	**223,669**	315,347

Segment revenue includes share of revenue of jointly controlled entities. Reconciliation between the total of such revenue from continuing operations and the Group's revenue is disclosed in note 5.

Segment profit (loss) represents profit (loss) after tax and non-controlling interests for each reportable segment and includes certain investment income, gains and losses, share of results of certain associates, share of results of jointly controlled entities and gain on disposal of interest in an associate, a jointly controlled entity and a subsidiary, but excluding corporate income and expenses (including staff costs, other administrative expenses and finance costs), change in fair value of structured borrowing, share of loss of an associate, loss on deemed disposal of partial interest in an associate and discount on acquisition of additional interest in an associate which are not attributable to any of the reportable segments. This is the measure reported to the Group's management for the purposes of resource allocation and performance assessment.

6. SEGMENT INFORMATION (Cont'd)

Reconciliation of total segment profit from continuing and discontinued operations to profit attributable to owners of the Company

	2010 HK$'000	2009 HK$'000
Total segment profit from continuing and discontinued operations	**223,669**	315,347
Unallocated items		
Other income	**4,671**	3,932
Investment income, gains and losses	**(2,806)**	8,712
Administrative expenses	**(18,046)**	(22,616)
Change in fair value of structured borrowing	**304**	15,196
Finance costs	**(1,602)**	(4,202)
Share of loss of an associate	**(26)**	(28)
Discount on acquisition of additional interest in an associate	**3,837**	–
Loss on deemed disposal of partial interest in an associate	**(7,808)**	(520)
Non-controlling interests	**3,395**	–
Profit attributable to owners of the Company	**205,588**	315,821

Segment assets and liabilities

As the Group's chief operating decision maker reviews the Group's assets and liabilities on a consolidation basis, no assets or liabilities are allocated to the reportable segments. Therefore, no analysis of segment assets and liabilities is presented.

6. SEGMENT INFORMATION (Cont'd)

Other segment information

Segment profit or loss has been arrived at after charging (crediting):

Year ended 31st December, 2010

	Continuing operations							
	Construction	Quarrying	Construction materials	Highway and expressway operations and property development	North American ginseng	Segment total	Adjustments	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* *(note)*	*HK$'000*
Depreciation of property, plant and equipment	9,311	415	1,166	–	–	10,892	1,085	11,977
(Gain) loss on disposal of property, plant and equipment, net	(3,600)	–	5	–	–	(3,595)	–	(3,595)
Interest income	(1,494)	(13)	(6)	–	–	(1,513)	(1)	(1,514)
Finance costs	1,710	–	448	–	–	2,158	1,602	3,760
Share of results of associates	188	–	–	(239,020)	(2,213)	(241,045)	26	(241,019)
Share of results of jointly controlled entities	(30,039)	–	–	–	–	(30,039)	–	(30,039)
Income tax expense	322	–	–	–	–	322	–	322
Non-controlling interests	12,798	–	(6,011)	–	–	6,787	(3,395)	3,392

6. SEGMENT INFORMATION (Cont'd)

Other segment information (Cont'd)

Year ended 31st December, 2009

	Continuing operations								Discontinued operation
	Construction	Quarrying	Construction materials	Highway and expressway operations and property development	North American ginseng	Segment total	Adjustments	Total	Bio-technology
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* *(note)*	*HK$'000*	*HK$'000*
Depreciation of property, plant and equipment	14,233	441	574	–	–	15,248	1,026	16,274	285
Gain on disposal of property, plant and equipment, net	–	(345)	–	–	–	(345)	(2,210)	(2,555)	–
Interest income	(1,483)	(13)	(1)	–	–	(1,497)	–	(1,497)	–
Finance costs	3,774	–	–	–	–	3,774	4,202	7,976	671
Share of results of associates	(1,709)	–	–	(277,149)	(1,756)	(280,614)	28	(280,586)	–
Share of results of jointly controlled entities	(37,869)	–	–	–	–	(37,869)	–	(37,869)	–
Income tax expense	4,053	129	–	–	–	4,182	–	4,182	–
Non-controlling interests	29,857	2,973	(1,731)	–	–	31,099	–	31,099	–

Note: Adjustments represent unallocated amounts related to head office and other minor operations.

6. SEGMENT INFORMATION (Cont'd)

Geographical information

The Group's operations are located in the HKSAR (country of domicile), other regions in the People's Republic of China ("PRC") and Middle East.

The Group's revenue from external customers by geographical markets and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue from external customers		Non-current assets *(note)*	
			31st December,	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Continuing operations				
HKSAR	**660,377**	803,441	**4,044,898**	3,845,224
PRC	**55,663**	10,656	**47,296**	126,225
Middle East	**18,233**	30,216	**61,517**	69,965
Others	**–**	–	**13,854**	5,221
	734,273	844,313	**4,167,565**	4,046,635

Note: Non-current assets include all non-current assets except available-for-sale investments, loan and other receivables and other financial asset.

6. SEGMENT INFORMATION (Cont'd)

Information about customers

Two customers of the construction segment located in the HKSAR individually contributing over 10% of the Group's revenue in each of the current and prior years.

	2010 HK$'000	2009 HK$'000
Customer A	**305,517**	457,632
Customer B	**203,053**	–[1]
Customer C	**–[1]**	86,479
	508,570	544,111

[1] The corresponding revenue did not contribute over 10% of the Group's revenue.

7. OTHER INCOME

	2010 HK$'000	2009 HK$'000
Continuing operations		
Other income includes:		
Interest on bank deposits	**65**	25
Interest on loan and other receivables	**–**	36
Interest on other financial asset	**1,449**	1,436
Reversal of allowance for doubtful debts	**–**	3,659
Operation fee income	**8,811**	–
Service income from an associate	**493**	771
Service income from a jointly controlled entity	**6,684**	–

8. INVESTMENT INCOME, GAINS AND LOSSES

	2010 HK$'000	2009 HK$'000
Continuing operations		
Net gain on change in fair value and disposal of held-for-trading investments	**3,599**	25,742
Dividend income from held-for-trading investments	**2,042**	1,633
	5,641	27,375

9. FINANCE COSTS

	2010 HK$'000	2009 HK$'000
Continuing operations		
Interest on:		
bank and other borrowings wholly repayable within five years	**3,447**	7,142
amount due to an associate	**–**	141
amount due to a related company	**–**	65
loans from a director	**–**	361
	3,447	7,709
Imputed interest on non-current interest-free amount due to an associate	**313**	267
	3,760	7,976

10. OTHER GAINS AND LOSSES

	2010	2009
	HK$'000	*HK$'000*
Continuing operations		
Gain on disposal of property, plant and equipment, net	**3,595**	2,555
Gain on disposal of interest in an associate *(note a)*	**8,300**	–
Discount on acquisition of additional interest in an associate *(note b)*	**3,837**	–
Loss on deemed disposal of partial interest in an associate *(note c)*	**(7,808)**	(520)
Gain on disposal of interest in a jointly controlled entity *(note d)*	**3,042**	–
Gain on disposal of a subsidiary *(note 47)*	**5,923**	–
	16,889	2,035

Notes:

(a) On 1st December, 2009, the Group entered into a sale and purchase agreement with Road King to dispose of the equity interest of 5.276% in Sunco which was directly held by the Group to Road King at a cash consideration of HK$88,310,000. The transaction was completed on 27th January, 2010 and the Group has reported a gain on disposal of HK$8,300,000 during the year. After the disposal, the Group does not hold any direct interest in Sunco and Road King's interest in Sunco increased from 89.46% to 94.74%.

(b) During the year, the Group purchased 2,811,000 shares in CNT at an aggregate consideration of HK$1,028,000 which was below the net assets acquired. As a result, the Group's interest in CNT increased in aggregate by 8.10% resulting in an aggregate gain of HK$3,837,000.

(c) During the year, Road King issued 2,818,000 (2009: 190,000) ordinary shares upon exercise of share options granted to the directors and employees of Road King under the share option scheme of Road King. As a result, the Group's interest in Road King reduced in aggregate by 0.15% (2009: 0.01%). As the shares were issued at the weighted average exercise price of HK$5.81 (2009: HK$5.70) per share, which was lower than the net asset value per share of Road King, the Group recorded an aggregate loss of HK$7,808,000 (2009: HK$520,000) on deemed disposal of partial interest in Road King.

(d) On 25th February, 2010, the Group entered into a sale and purchase agreement to dispose of the Group's entire interest in China Railway Tenth Group Third Engineering Co., Ltd., an equity joint venture established in the PRC to third parties for a cash consideration of RMB19,080,000 (equivalent to approximately HK$21,723,000). Details of the disposal are set out in the announcement and notices – disclosable transactions dated 25th February, 2010 issued by Build King Holdings Limited ("Build King"). The Group has reported a gain on disposal of HK$3,042,000 during the year.

11. PROFIT BEFORE TAX

	2010 HK$'000	2009 HK$'000
Profit before tax has been arrived at after charging (crediting):		
Continuing operations		
Auditor's remuneration	**2,404**	2,519
Allowance for amounts due from jointly controlled entities	**–**	2,000
Amortisation of intangible assets	**599**	–
Bad debts written off	**373**	147
Construction contract costs recognised for sewage treatment plant	**31,371**	–
Depreciation of property, plant and equipment:		
Owned assets	**11,946**	16,249
Assets held under finance lease arrangement	**45**	45
	11,991	16,294
Less: Amount attributable to construction contracts	**(14)**	(20)
	11,977	16,274
Exchange loss, net	**653**	1,147
Hire charges for plant and machinery	**12,822**	13,611
Less: Amount attributable to construction contracts	**(12,694)**	(13,611)
	128	–
Operating lease rentals in respect of land and buildings	**35,022**	9,607
Less: Amount attributable to construction contracts	**(550)**	(1,160)
	34,472	8,447
Share of income tax expense of associates (included in share of results of associates)	**371,542**	122,231
Share of income tax expense of jointly controlled entities (included in share of results of jointly controlled entities)	**22**	499
Staff costs:		
Directors' remuneration *(note 12)*	**12,087**	10,788
Other staff costs	**178,741**	164,258
Retirement benefits scheme contributions, excluding amounts included in directors' remuneration and net of forfeited contributions of HK$164,000 (2009: HK$302,000)	**10,192**	7,542
	201,020	182,588
Less: Amount attributable to construction contracts	**(103,875)**	(104,136)
	97,145	78,452
Write-down of inventories	**1,430**	–

12. DIRECTORS' REMUNERATION

The remuneration paid or payable to each of the nine (2009: ten) directors was as follows:

	Fee	Salary and other benefits	Performance related incentive payments	Retirement benefits scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31st December, 2010					
Executive directors:					
Zen Wei Pao, William	–	260	205	26	491
Zen Wei Peu, Derek	–	1,037	6,830	432	8,299
Chiu Wai Yee, Anriena	–	1,372	250	135	1,757
	–	2,669	7,285	593	10,547
Non-executive directors:					
Lam Wai Hon, Patrick	180	–	–	–	180
Chu Tat Chi	180	–	–	–	180
Cheng Chi Pang, Leslie *(note)*	325	–	–	–	325
	685	–	–	–	685
Independent non-executive directors:					
Wong Che Ming, Steve	285	–	–	–	285
Wan Siu Kau, Samuel	285	–	–	–	285
Wong Man Chung, Francis	285	–	–	–	285
	855	–	–	–	855
	1,540	2,669	7,285	593	12,087

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

12. DIRECTORS' REMUNERATION (Cont'd)

	Fee	Salary and other benefits	Performance related incentive payments	Retirement benefits scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31st December, 2009					
Executive directors:					
Zen Wei Pao, William	–	219	261	22	502
Zen Wei Peu, Derek	–	261	5,213	364	5,838
Wong Wing Cheung, Dennis	–	1,419	64	61	1,544
Chiu Wai Yee, Anriena	–	1,200	86	120	1,406
	–	3,099	5,624	567	9,290
Non-executive directors:					
Lam Wai Hon, Patrick	173	–	–	–	173
Chu Tat Chi	173	–	–	–	173
Cheng Chi Pang, Leslie *(note)*	318	–	–	–	318
	664	–	–	–	664
Independent non-executive directors:					
Wong Che Ming, Steve	278	–	–	–	278
Wan Siu Kau, Samuel	278	–	–	–	278
Wong Man Chung, Francis	278	–	–	–	278
	834	–	–	–	834
	1,498	3,099	5,624	567	10,788

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

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 prior years.

13. EMPLOYEES' EMOLUMENTS

Details of the emoluments of the five highest paid individuals included two directors (2009: two directors) set out in note 12. The emoluments of the remaining three (2009: three) highest paid individuals are as follows:

	2010	2009
	HK$'000	*HK$'000*
Salary and other benefits	**5,836**	5,007
Retirement benefits scheme contributions	**265**	272
	6,101	5,279

The emoluments were within the following bands:

	Number of employees	
	2010	2009
HK$1,500,001 to HK$2,000,000	**1**	2
HK$2,000,001 to HK$2,500,000	**2**	1

14. INCOME TAX EXPENSE

	2010	2009
	HK$'000	*HK$'000*
Continuing operations		
Income tax for the year		
Hong Kong	**193**	1,921
Other jurisdictions	**183**	129
	376	2,050
(Over)underprovision in prior years		
Hong Kong	**231**	2,132
Other jurisdictions	**(285)**	–
	(54)	2,132
	322	4,182

14. INCOME TAX EXPENSE (Cont'd)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries had been changed to 25% from 1st January, 2008 onwards.

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

Income tax expense can be reconciled to the profit before tax as follows:

	2010	2009
	HK$'000	*HK$'000*
Profit before tax from continuing operations	**209,302**	345,809
Income tax expense at the applicable rate of 16.5% (2009: 16.5%)	**34,535**	57,058
Tax effect of expenses not deductible for tax purpose	**9,506**	36,355
Tax effect of income not taxable for tax purpose	**(8,555)**	(37,675)
(Over)underprovision in prior years	**(54)**	2,132
Tax effect of tax losses not recognised	**15,795**	5,915
Tax effect of utilisation of tax losses not previously recognised	**(3,456)**	(7,612)
Tax effect of share of results of associates	**(39,768)**	(46,297)
Tax effect of share of results of jointly controlled entities	**(4,956)**	(6,248)
Others	**(2,725)**	554
Income tax expense related to continuing operations	**322**	4,182

15. DISCONTINUED OPERATION

On 21st March, 2009, Wai Kee (Zens) Holding Limited ("WKZ"), a wholly owned subsidiary of the Company, discontinued bio-technology operation by disposing of the entire issued capital of Wai Kee Biotechnical Company Limited ("Wai Kee Biotech"), a wholly owned subsidiary of WKZ, which held 91% interest in each of Wuhan Nature's Favour Bioengineering Company Limited and Hubei Nature's Favour Biotechnology Company Limited to a third party acquirer for an aggregate consideration of HK$19 million. The disposal was completed on 19th June, 2009 on which the control of Wai Kee Biotech was passed to the acquirer.

15. DISCONTINUED OPERATION (Cont'd)

The profit from the discontinued operation for the relevant period was analysed as follows:

	2009
	HK$'000
Loss of bio-technology operation for the period	(8,095)
Gain on disposal of bio-technology operation	13,388
	5,293

The results of the bio-technology operation for the relevant period were as follows:

	2009
	HK$'000
Revenue	–
Cost of sales	(24)
Gross loss	(24)
Other income	498
Selling and distribution costs	(4,431)
Administrative expenses	(3,467)
Finance costs	(671)
Loss before tax	(8,095)
Income tax expense	–
Loss for the period	(8,095)

Loss for the period from discontinued operation includes the following:

	2009
	HK$'000
Depreciation of property, plant and equipment	285
Amortisation of prepaid lease payments on land use rights	67
Allowance for doubtful debts	2,106
Interest on bank and other borrowings wholly repayable within five years	671
Rental income from property, plant and equipment	180
Staff costs	2,488

No tax charge or credit arose on the gain on disposal of bio-technology operation.

15. DISCONTINUED OPERATION (Cont'd)

Net assets disposed of:

	2009 *HK$'000*
Property, plant and equipment	32
Prepaid lease payments on land use rights	5,831
Inventories	31,883
Debtors, deposits and prepayments	10,197
Bank balances and cash	2,182
Creditors and accrued charges	(37,133)
	12,992

Gain on disposal:

	2009 *HK$'000*
Total consideration	(19,000)
Net assets disposed of	12,992
Reclassification adjustment for translation reserve upon disposal	(7,380)
	(13,388)

Payment of total consideration:

	2009 *HK$'000*
Cash consideration received	15,983
Deferred consideration	3,017
	19,000

Net cash inflow arising on disposal:

	2009 *HK$'000*
Cash consideration received	15,983
Bank balances and cash disposed of	(2,182)
	13,801

15. DISCONTINUED OPERATION (Cont'd)

At 31st December, 2009, the deferred consideration of approximately HK$2 million and HK$1 million which were interest-free, secured by mortgage over a property in the PRC and payable in cash by the acquirer in the year of 2010 and 2011 respectively, had been included in other receivables.

The deferred consideration of HK$2 million has been received during the year ended 31st December, 2010.

Net cash flows from discontinued operation:

	2009 *HK$'000*
Net cash used in operating activities	(3,032)
Net cash from investing activities	13,484
Net cash used in financing activities	(1,674)
Effect of foreign exchange rate changes, net	(28)
Net cash inflow	8,750

16. DIVIDENDS

	2010 ***HK$'000***	2009 *HK$'000*
Dividends paid and recognised as distributions during the year:		
2009 final dividend – HK8 cents per share (2009: 2008 final dividend – Nil)	**63,450**	–
2010 interim dividend – HK5 cents per share (2009: 2009 interim dividend – Nil)	**39,656**	–
	103,106	–

A final dividend for the year ended 31st December, 2010 of HK5 cents (2009: HK8 cents) per ordinary share has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting. This final dividend has not been included as a liability in the consolidated financial statements.

17. EARNINGS PER SHARE

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

From continuing and discontinued operations

	2010 *HK$'000*	2009 *HK$'000*
Earnings		
Earnings for the purpose of basic earnings per share (Profit for the year attributable to owners of the Company)	**205,588**	315,821
Effect of dilutive potential ordinary shares: Decrease in share of profit of an associate arising from exercise of share options issued by that associate *(note)*	**(44)**	–
Earnings for the purpose of diluted earnings per share	**205,544**	315,821

	Number of shares	
	2010	2009
Number of ordinary shares for the purposes of basic and diluted earnings per share	**793,124,034**	793,124,034

The exercise prices of the Company's outstanding share options are higher than the average market prices of the shares of the Company for the years ended 31st December, 2010 and 2009. Accordingly, no dilutive effect has been accounted for.

17. EARNINGS PER SHARE (Cont'd)

From continuing operations

Earnings figures are calculated as follows:

	2010	2009
	HK$'000	*HK$'000*
Profit for the year attributable to owners of the Company	**205,588**	315,821
Less: Profit for the period from discontinued operation	**–**	(5,293)
Earnings for the purpose of basic earnings per share from continuing operations	**205,588**	310,528
Effect of dilutive potential ordinary shares:		
Decrease in share of profit of an associate arising from exercise of share options issued by that associate *(note)*	**(44)**	–
Earnings for the purpose of diluted earnings per share from continuing operations	**205,544**	310,528

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

From discontinued operation

For the year ended 31st December, 2009, both basic and diluted earnings per share from discontinued operation were HK0.67 cent, based on the profit for the period from the discontinued operation of HK$5,293,000 and the denominators detailed above for both basic and diluted earnings per share.

Note: The outstanding share options of Road King at 31st December, 2009 had an anti-dilutive effect on the basic earnings per share because the exercise prices of the share options were higher than the average market price of the shares of Road King for the year ended 31st December, 2009. Accordingly, no dilutive effect had been accounted for.

18. PROPERTY, PLANT AND EQUIPMENT

	Plant under construction HK$'000	Buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Vessels HK$'000	Total HK$'000
COST								
At 1st January, 2009	–	74,724	12,625	153,730	28,077	8,765	94,587	372,508
Exchange realignment	–	–	–	14	20	6	–	40
Additions	–	–	–	282	94	760	9,116	10,252
Eliminated on disposal of subsidiaries	–	(34,177)	–	(22,666)	(2,237)	(715)	–	(59,795)
Disposals	–	(889)	–	(966)	(39)	(350)	(17,065)	(19,309)
At 31st December, 2009	–	39,658	12,625	130,394	25,915	8,466	86,638	303,696
Exchange realignment	–	–	–	114	126	37	–	277
Additions	33,158	–	155	9,571	1,290	9,306	7,527	61,007
Disposals	–	(17,549)	–	(1,025)	(120)	–	(7,615)	(26,309)
At 31st December, 2010	33,158	22,109	12,780	139,054	27,211	17,809	86,550	338,671
DEPRECIATION AND IMPAIRMENT								
At 1st January, 2009	–	73,433	11,366	149,053	25,869	7,603	70,051	337,375
Exchange realignment	–	–	–	13	17	4	–	34
Provided for the year	–	930	581	2,002	638	533	13,483	18,167
Eliminated on disposal of subsidiaries	–	(34,557)	–	(22,802)	(1,894)	(510)	–	(59,763)
Eliminated on disposals	–	(889)	–	(965)	(39)	(233)	(17,065)	(19,191)
At 31st December, 2009	–	38,917	11,947	127,301	24,591	7,397	66,469	276,622
Exchange realignment	–	–	–	114	121	35	–	270
Provided for the year	–	174	606	1,241	602	768	8,600	11,991
Eliminated on disposals	–	(17,549)	–	(1,025)	(116)	–	(7,615)	(26,305)
At 31st December, 2010	–	21,542	12,553	127,631	25,198	8,200	67,454	262,578
CARRYING VALUES								
At 31st December, 2010	**33,158**	**567**	**227**	**11,423**	**2,013**	**9,609**	**19,096**	**76,093**
At 31st December, 2009	–	741	678	3,093	1,324	1,069	20,169	27,074
At 1st January, 2009	–	1,291	1,259	4,677	2,208	1,162	24,536	35,133

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

The above items of property, plant and equipment (other than plant under construction) 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% – 40%
Furniture, fixtures and equipment	25%
Motor vehicles	$16^{2}/_{3}$% – 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 held under finance lease arrangement is HK$34,000 (31st December, 2009: HK$80,000).

The Group has pledged certain motor vehicles with an aggregate carrying value of HK$53,000 (31st December, 2009: HK$201,000) to secure certain bank loans.

19. INTANGIBLE ASSETS

	Construction licenses HK$'000 (note a)	Service concession arrangement HK$'000 (note b)	Total HK$'000
COST			
At 1st January, 2009 and 31st December, 2009	32,858	–	32,858
Addition	–	33,567	33,567
At 31st December, 2010	32,858	33,567	66,425
AMORTISATION			
At 1st January, 2009 and 31st December, 2009	–	–	–
Charge for the year	–	599	599
At 31st December, 2010	–	599	599
CARRYING VALUES			
At 31st December, 2010	**32,858**	**32,968**	**65,826**
At 31st December, 2009	32,858	–	32,858
At 1st January, 2009	32,858	–	32,858

19. INTANGIBLE ASSETS (Cont'd)

Notes:

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

The construction licenses 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 for 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 licenses 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 the management of the Group, which supports that the construction licenses have no foreseeable limit to the period over which the construction licenses are expected to generate net cash inflow for the Group. As a result, the construction licenses are considered by the management of the Group as having indefinite useful lives because they are expected to contribute net cash inflow indefinitely. The construction licenses 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 construction licenses are disclosed in note 21.

(b) A 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 phase II (see note 27 for details of sewage treatment plant phase I) and is granted 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 of the PRC for a term of 30 years.

Pursuant to the service concession arrangement contracts, Wuxi Qianhui is responsible for the construction of sewage treatment plant phase II and entitled to operate the sewage treatment plant phase II upon completion for a specified concession period by charging users of the public service, which amounts are contingent on the extent that the public uses the service. At the end of the operating period, Wuxi Qianhui is required to transfer the sewage treatment plant phase II to the local government. As such, the arrangement is accounted for as a service concession arrangement and the right to charge the users of the public service is recognised as an intangible asset. The Group estimates the fair value of the intangible asset to be equal to the construction costs plus certain margin. Amortisation of the intangible asset will be provided for over the operation period on a straight-line basis when the sewage treatment plant commences its operation over 30 years.

Wuxi Qianhui commenced and finished the construction in current year. The sewage treatment plant phase II has been put into operation in current year.

During the year ended 31st December, 2010, the Group recognised revenue from construction of sewage treatment plant phase II of HK$33,567,000 (2009: Nil).

20. GOODWILL

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

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

For the purpose of impairment testing, goodwill has been allocated to the group of underlying cash-generating unit ("CGU") which represents Build King and its subsidiaries in existence at the time of reverse acquisition of Build King and its subsidiaries in 2004 and is included in construction segment.

For the purpose of impairment testing, intangible assets with indefinite useful lives set out in note 19 have been allocated to a CGU, a subsidiary acquired in 2005, which is included in construction segment and holds the construction licenses 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 2010, the 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. For impairment testing purpose, all value in use calculations use cash flow projections based on latest financial budgets approved by the Group's management covering a period of 5 years, and a discount rate of 10% (31st December, 2009: 10%). 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.

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

	31st December,		1st January,
	2010	2009	2009
	HK$'000	*HK$'000*	*HK$'000*
Cost of investment in associates			
Listed in the HKSAR *(note a)*	**1,543,877**	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")	**37,907**	36,878	36,878
Unlisted	**4**	81,420	81,420
	1,581,788	1,662,175	1,662,175
Share of post-acquisition profits, losses and other comprehensive income, net of dividends received	**2,335,623**	2,188,325	1,995,130
	3,917,411	3,850,500	3,657,305
Represented by:			
Interests in associates	**3,936,343**	3,869,244	3,677,758
Obligations in excess of interests in associates *(note b)*	**(18,932)**	(18,744)	(20,453)
	3,917,411	3,850,500	3,657,305
Fair value of listed investments	**1,997,388**	1,708,404	818,787
Quoted value of investments on OTCBB	**6,250**	2,062	1,031

Notes:

(a) Included in the cost of investment in these associates is goodwill of HK$30,964,000 (31st December, 2009: HK$30,964,000) arising on acquisition of additional interests in an associate during the year ended 31st December, 2007.

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

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

Details of the principal associates of the Group at 31st December, 2010 and 2009 are as follows:

Name of associate	Form of business structure	Place of incorporation/ operation	Effective interest held by the Group		Principal activities
			2010 **%**	2009 %	
Chai-Na-Ta Corp. *(note a)*	Incorporated	Canada	**46.188** *(note e)*	38.086	Production and sales of North American ginseng
Hong Kong Landfill Restoration Group Limited	Incorporated	HKSAR	**17.654** *(note b)*	17.654 *(note b)*	Civil engineering
Road King Infrastructure Limited *(note c)*	Incorporated	Bermuda	**38.186** *(note e)*	38.332	Investment in and development, operation and management of highways and expressways, and property development
Sunco Property Holdings Company Limited	Incorporated	British Virgin Islands	**–** *(note e)*	5.276 *(note d)*	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% (31st December, 2009: 51.17%) subsidiary whose shares are listed on the Main Board of the Stock Exchange.

(c) The shares of Road King are listed on the Main Board of the Stock Exchange.

(d) At 31st December 2009, the Group held additional effective interest of 34.29% in Sunco through Road King.

(e) The shareholding movements during the year ended 31st December, 2010 are detailed in note 10.

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.

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

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:

	2010	2009
	HK$'000	*HK$'000*
Revenue	**5,026,604**	4,711,784
Profit for the year	**638,040**	749,429
Profit for the year attributable to the Group	**241,019**	280,586
Other comprehensive income attributable to the Group	**57,107**	24,131

Financial position:

	31st December,	
	2010	2009
	HK$'000	*HK$'000*
Non-current assets	**4,803,903**	5,417,050
Current assets	**23,047,638**	17,004,221
Current liabilities	**(11,429,480)**	(6,957,616)
Non-current liabilities	**(5,993,376)**	(5,401,829)
Net assets	**10,428,685**	10,061,826
Net assets attributable to the Group	**3,886,447**	3,819,536

At 31st December, 2010, the carrying amount of the Group's interest in Road King was more than its fair value. The management of the Group carried out impairment review on the entire carrying amount of its interest in Road King (including goodwill) as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its entire carrying amount. In determining the value in use of the investment, the Group estimated the present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal. The key assumptions included growth rate and dividend payout ratio of Road King, and use of 10% to discount the cash flow projections to net present value. Based on the assessment, the recoverable amount of the Group's interest in Road King exceeded its entire carrying amount. Hence, no impairment of the Group's interest in Road King is considered necessary.

23. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	31st December, 2010 HK$'000	31st December, 2009 HK$'000	1st January, 2009 HK$'000
Cost of investment in unlisted jointly controlled entities	**20,067**	44,090	44,090
Share of post-acquisition profits and other comprehensive income, net of distributions received	**39,398**	43,389	18,856
	59,465	87,479	62,946

At 31st December, 2010 and 2009, 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 2010 %	Effective interest held by the Group 2009 %	Principal activities
ACC-Leader Joint Venture	Unincorporated	Middle East	**25.59** *(note a)*	25.59 *(note a)*	Civil engineering
China Railway Tenth Group Third Engineering Co., Ltd.	Incorporated	PRC	– *(note 10(d))*	25.07 *(note a)*	Civil engineering
Chun Wo-Leader Joint Venture	Unincorporated	HKSAR	**26.10** *(note a)*	26.10 *(note a)*	Civil engineering
Kaden-ATAL Joint Venture	Unincorporated	HKSAR	**25.59** *(note a)*	25.59 *(note a)*	Civil engineering
Kaden-VSL Joint Venture	Unincorporated	HKSAR	**26.10** *(note a)*	26.10 *(note a)*	Civil engineering
Kier-Kaden-OSSA Joint Venture	Unincorporated	HKSAR	**17.91** *(notes a and b)*	–	Civil engineering
Shanxi Jin Ya Road and Bridge Construction Co., Ltd. *(note c)*	Incorporated	PRC	**26.10** *(note a)*	26.10 *(note a)*	Road construction

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

Notes:

(a) The Group holds the effective interest in the jointly controlled entity through Build King.

(b) The Group holds less than 20% interests in this entity through Build King. However, under the joint venture agreement, the entity is jointly controlled by the Group and the other significant joint venture partner. Therefore, the entity is classified as a jointly controlled entity.

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

Share of results attributable to the Group:

	2010	2009
	HK$'000	*HK$'000*
Revenue	**192,572**	213,071
Other income	**46**	117
Total revenue	**192,618**	213,188
Total expenses	**(162,557)**	(174,820)
Profit before tax	**30,061**	38,368
Income tax expense	**(22)**	(499)
Profit for the year	**30,039**	37,869

Share of assets and liabilities attributable to the Group:

	31st December,	
	2010	2009
	HK$'000	*HK$'000*
Non-current assets	**9,189**	16,579
Current assets	**218,037**	160,863
Current liabilities	**(167,761)**	(89,963)
Net assets	**59,465**	87,479

24. AVAILABLE-FOR-SALE INVESTMENTS

	31st December,		1st January,
	2010	2009	2009
	HK$'000	*HK$'000*	*HK$'000*
Unlisted equity securities, at cost	**3,368**	3,368	3,368
Less: Impairment loss recognised	**(3,368)**	(3,368)	(3,368)
	–	–	–

The unlisted investments represent investments in unlisted equity securities issued by private entities incorporated in the PRC. The unlisted investments are measured at cost less impairment at the end of the reporting period 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.

25. PREPAID ROYALTIES

Prepaid royalties are analysed as follows:

	31st December,		1st January,
	2010	2009	2009
	HK$'000	*HK$'000*	*HK$'000*
Within one year	**1,274**	1,567	2,337
In the second to fifth year inclusive	**34,000**	34,142	34,979
	35,274	35,709	37,316
Less: Allowance	**(34,000)**	(34,000)	(34,000)
	1,274	1,709	3,316
Less: Amount recoverable within one year shown under current assets	**(1,274)**	(1,567)	(2,337)
Amount recoverable after one year	**–**	142	979

This amount represents advances to and the cost of construction work to be recoverable from the local government of Wanshan in the PRC, which would be settled by a wavier of royalty fees arising from the sale of quarry products from a quarry of the Group in the PRC. In 2004, the directors of the Company considered the prospects of the quarry industry and reassessed the likelihood of the recovery of the outstanding amount in full through the wavier of royalty fees arising from the sale of quarry products. Based on the anticipated sales of quarry products, the directors of the Company 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 profit and loss for the year ended 31st December, 2004.

26. LOAN AND OTHER RECEIVABLES

The amounts were unsecured, interest-free and were receivable after one year.

27. OTHER FINANCIAL ASSET

A subsidiary of the Company, 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 phase I (see note 19 for details of sewage treatment plant phase II) and is granted an exclusive operating right 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 of the PRC for a term of 30 years.

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

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 ton of sewage. The agreed price will be reviewed annually. Therefore, the service concession arrangement is classified as financial asset. The fair value of the consideration receivable for the construction services rendered under the service concession arrangement is recognised as other financial asset carrying effective interest rate of 2.61% (31st December, 2009: 2.82%) per annum and recoverable over the service concession period of 30 years.

28. INVENTORIES

	31st December,		1st January,
	2010	2009	2009
	HK$'000	*HK$'000*	*HK$'000*
Raw materials	**131**	–	6,233
Work-in-progress	**–**	1,080	1,721
Consumables	**1,842**	3,644	5,342
Finished goods	**1,082**	789	5,267
	3,055	5,513	18,563

The cost of inventories recognised as an expense during the year is HK$6,152,000 (2009: HK$13,846,000).

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

	31st December, 2010 HK$'000	31st December, 2009 HK$'000	1st January, 2009 HK$'000
Contracts in progress at the end of the reporting period:			
Contract costs incurred plus recognised profits less recognised losses	**3,364,371**	2,775,389	3,760,089
Less: Progress billings	**(3,328,251)**	(2,711,690)	(3,684,135)
	36,120	63,699	75,954
Represented by:			
Due from customers included in current assets	**66,493**	99,057	151,821
Due to customers included in current liabilities	**(30,373)**	(35,358)	(75,867)
	36,120	63,699	75,954

30. DEBTORS, DEPOSITS AND PREPAYMENTS

	31st December, 2010 HK$'000	31st December, 2009 HK$'000	1st January, 2009 HK$'000
Trade debtors	**166,261**	135,788	160,906
Less: Allowance for doubtful debts	**(1,732)**	(2,353)	(11,040)
	164,529	133,435	149,866
Retention receivables	**52,193**	41,091	43,388
Other debtors, deposits and prepayments	**88,727**	44,297	61,556
	305,449	218,823	254,810

The Group's other debtors included a carrying amount of HK$35,000 (31st December, 2009: HK$11,000) which is denominated in Renminbi that is the currency other than the functional currencies of the respective group entities.

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

The Group allows an average credit period of 60 days to its trade customers. For retention receivables in respect of construction contracts, the due dates are usually one year after the completion of the construction works. The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date:

	31st December,	
	2010	2009
	HK$'000	*HK$'000*
0 to 60 days	**163,433**	128,811
Over 90 days	**1,096**	4,624
	164,529	133,435
Retention receivables		
Due within one year	**26,079**	21,194
Due after one year	**26,114**	19,897
	52,193	41,091

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limit by customer. Limits and scores attributed to customers are reviewed periodically. 98% (31st December, 2009: 95%) of the trade debtors that are neither past due nor impaired have good settlement history. The Group has assessed the creditworthiness and historical default rates of these customers. Trade debtors that are past due but not impaired have the good quality with reference to respective settlement history.

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

The Group's trade debtors included a carrying amount of HK$1,096,000 at 31st December, 2010 (31st December, 2009: HK$4,624,000) which are past due at the end of the reporting period 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.

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

Ageing of trade debtors past due but not impaired

	31st December,	
	2010	2009
	HK$'000	*HK$'000*
Over 90 days	**1,096**	4,624

Included in the allowance for doubtful debts are individually impaired receivables due from certain trade debtors with an aggregate amount of HK$1,732,000 (31st December, 2009: HK$2,353,000) which have either been placed under liquidation or are in financial difficulties. During the year, the Group has written off bad debts of HK$373,000 (2009: HK$147,000) 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

	2010	2009
	HK$'000	*HK$'000*
Balance at the beginning of the year	**2,353**	11,040
Written off against debtors during the year	**(621)**	–
Released upon disposal of subsidiaries	**–**	(7,134)
Allowance recognised in profit or loss	**–**	2,106
Allowance reversed in profit or loss	**–**	(3,659)
Balance at the end of the year	**1,732**	2,353

31. AMOUNTS DUE FROM ASSOCIATES/JOINTLY CONTROLLED ENTITIES

The amounts due from associates and jointly controlled entities are unsecured, interest-free and repayable on demand.

During the year ended 31st December, 2009, the Group considered the amounts due from jointly controlled entities may not be recoverable in full, and accordingly an allowance of HK$2,000,000 had been recognised.

At 31st December, 2009, the amounts due from jointly controlled entities included a carrying amount of HK$2,440,000 which was denominated in Renminbi that was the currency other than the functional currencies of the respective group entities.

32. HELD-FOR-TRADING INVESTMENTS

	31st December,		1st January,
	2010	2009	2009
	HK$'000	*HK$'000*	*HK$'000*
Held-for-trading investments at fair value			
Equity securities listed in the HKSAR	**36,577**	43,948	28,554
Equity securities quoted on OTCBB	**41**	27	12
	36,618	43,975	28,566

At 31st December, 2010, certain equity securities with market value of HK$21,150,000 (31st December, 2009: HK$18,090,000) were pledged to a bank to secure certain 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 guarantees to the bank. Although these equity securities were pledged to the bank, the Group is allowed to trade the pledged securities upon the repayment of respective bank borrowing.

33. PLEDGED BANK DEPOSITS AND BANK BALANCES

A bank deposit of the Group amounting to HK$19,000 (31st December, 2009: HK$1,815,000) was pledged to a bank for securing certain banking facilities granted to the Group. The pledged bank deposit carries fixed interest rate at 0.01% (31st December, 2009: 0.01%) per annum.

Bank balances with original maturity less than three months carry market interest rate ranging from 0.00% to 0.79% (31st December, 2009: 0.01% to 0.36%) per annum.

The Group's bank balances included a carrying amount of HK$5,788,000 (31st December, 2009: HK$2,825,000) which is denominated in Renminbi that is the currency other than the functional currencies of the respective group entities.

34. CREDITORS AND ACCRUED CHARGES

	31st December, 2010 HK$'000	31st December, 2009 HK$'000	1st January, 2009 HK$'000
Trade creditors (aged analysis):			
0 to 60 days	**55,662**	37,948	67,989
61 to 90 days	**2,785**	2,092	6,410
Over 90 days	**5,436**	14,964	24,505
	63,883	55,004	98,904
Retention payables	**43,435**	41,947	39,122
Accrued project costs	**113,023**	129,538	112,189
Other creditors and accrued charges	**77,921**	53,647	73,153
	298,262	280,136	323,368
Retention payables			
Due within one year	**38,835**	26,440	19,584
Due after one year	**4,600**	15,507	19,538
	43,435	41,947	39,122

The Group has financial risk management policies in place to ensure that all payables are 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 works.

The Group's creditors and accrued charges included a carrying amount of HK$5,286,000 (31st December, 2009: HK$4,113,000) which is denominated in Renminbi that is the currency other than the functional currencies of the respective group entities.

35. AMOUNTS DUE TO JOINTLY CONTROLLED ENTITIES/AN ASSOCIATE/A RELATED COMPANY/NON-CONTROLLING SHAREHOLDERS

The amounts due to jointly controlled entities, an associate and non-controlling shareholders are unsecured, interest-free and repayable on demand. At 31st December, 2009, an advance from an associate of HK$3,500,000 carried interest at one month Hong Kong Interbank Offered Rate ("HIBOR").

The related company is a subsidiary of one of the Company's substantial shareholders. The amount is unsecured, interest-free and repayable on demand.

36. LOANS FROM A DIRECTOR

The loans were unsecured, carried interest at HIBOR plus 1.75% per annum and were fully repaid during the year.

37. OTHER BORROWINGS

Other borrowings comprise:

	31st December,		1st January,
	2010	2009	2009
	HK$'000	*HK$'000*	*HK$'000*
Margin loan	**–**	–	8,959
Obligations under finance lease arrangement *(note)*	**74**	115	154
Loan payable	**–**	–	2,007
	74	115	11,120
Less: Amount due within one year shown under current liabilities	**(44)**	(41)	(11,005)
Amount due after one year	**30**	74	115

Note:

The maturity of obligations under finance lease arrangement is as follows:

	Minimum lease payments 31st December,		Present value of minimum lease payments 31st December,	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**47**	47	**44**	41
In the second to fifth year inclusive	**31**	78	**30**	74
	78	125	**74**	115
Less: Future finance charges	**(4)**	(10)	**N/A**	N/A
Present value of lease obligations	**74**	115	**74**	115
Less: Amount due within one year shown under current liabilities			**(44)**	(41)
Amount due after one year			**30**	74

The lease terms range from 4.5 to 5 years. Interest rates underlying all of the obligations under finance lease arrangement are fixed at respective contract dates at 5.7% (31st December, 2009: 5.7%) per annum.

38. BANK LOANS

	31st December,		1st January,
	2010	2009	2009
	HK$'000	*HK$'000*	*HK$'000*
The maturity of the bank loans is as follows:			
Within one year	**41,462**	30,050	178,870
In the second year	**12,595**	54	168
In the third to fifth year inclusive	**13,750**	–	62
	67,807	30,104	179,100
Carrying amount of bank loans contain a repayment on demand clause (shown under current liabilities)			
– repayable within one year	**28,182**	21,000	44,669
– repayable in the second year	**29,945**	25,250	16,000
– repayable in the third to fifth year inclusive	**27,011**	20,000	20,250
Carrying amount of bank loans that are repayable on demand due to breach of loan covenants (shown under current liabilities)	**–**	7,748	16,734
	152,945	104,102	276,753
Less: Amount shown under current liabilities	**(126,600)**	(104,048)	(276,523)
Amount shown under non-current liabilities	**26,345**	54	230
Secured	**50,069**	9,230	55,384
Unsecured	**102,876**	94,872	221,369
	152,945	104,102	276,753

At 31st December, 2010, bank loans include HK$69,000 (31st December, 2009: HK$230,000) fixed-rate borrowings which carry interest ranging from 8.52% to 9.39% (31st December, 2009: 8.52% to 9.39%) per annum. The remaining bank loans are variable-rate borrowings which carry interest ranging from 2.05% to 3.35% (31st December, 2009: 1.87% to 7.10%) per annum. Interest is repriced every one, two, three or six months.

38. BANK LOANS (Cont'd)

At 31st December, 2010, the Group complied with all the terms of the bank loans.

The Group's bank loans included a carrying amount of HK$7,738,000 (31st December, 2009: HK$11,622,000) which is denominated in United States dollars that is the currency other than the functional currencies of the respective group entities.

At 31st December, 2009, in respect of bank loans with carrying amounts of HK$16,622,000, Build King breached certain terms of the bank loans, which are primarily related to its debt-equity ratio. According to HKAS 1 "Presentation of financial statements", since the banks have not agreed to waive their rights to demand immediate repayment at 31st December, 2009, the non-current portion of the bank loans amounting to HK$7,748,000 had been classified as current liabilities at 31st December, 2009. Build King had subsequently obtained written consent from the banks to waive their rights to demand immediate repayment.

Certain bank loans are secured by personal guarantees given by a director of the Company.

At 31st December, 2010, the share of a Company's subsidiary was pledged to secure certain bank loans granted to the Group.

39. STRUCTURED BORROWING

	31st December,		1st January,
	2010	2009	2009
	HK$'000	*HK$'000*	*HK$'000*
Structured borrowing, classified as:			
Current liability	**12,561**	12,480	12,480
Non-current liability	**–**	12,865	40,541
At fair value	**12,561**	25,345	53,021

The structured borrowing contains embedded derivatives which are not closely related to the host contract, hence the entire combined contract was designated as financial instruments at FVTPL upon initial recognition. The minimum amount repayable to the bank within one year is classified as a current liability.

39. STRUCTURED BORROWING (Cont'd)

Major terms of the structured borrowing at 31st December, 2010 and 2009 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, 2010. At 31st December, 2010, the difference between the fair value of the structured borrowing and the net amount of the upfront payment received less the repayment made was HK$81,000 (31st December, 2009: HK$385,000). Decrease in fair value of HK$304,000 during the year (2009: HK$15,196,000) has been credited to profit or loss.

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

40. DEFERRED TAX LIABILITIES

The deferred tax liabilities recognised by the Group represent tax effect of fair value of intangible assets arising from the acquisition of a subsidiary during the year ended 31st December, 2005. There is no movement of balance during each of the two years ended 31st December, 2010.

At 31st December, 2010, the Group has unutilised tax losses carried forward to offset future profits, the utilisation of which will expire in the following years:

	31st December,	
	2010	2009
	HK$'000	*HK$'000*
Tax losses to expire in:		
2010	**–**	1,499
2011	**–**	–
2012	**2,927**	2,927
2013	**4,298**	4,298
2014	**1,584**	1,584
Carried forward indefinitely	**547,310**	472,252
	556,119	482,560

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

41. LOANS FROM NON-CONTROLLING SHAREHOLDERS

At 31st December, 2009, the amounts were unsecured, interest-free and had no fixed repayment terms. The amounts would not be repayable within twelve months and the balances were therefore shown under non-current liabilities.

42. 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 end of the reporting period and the balance is therefore shown under non-current liabilities. The amount is carried at amortised cost using effective interest rate of 5.4% (31st December, 2009: 5.4%) per annum.

43. AMOUNT DUE TO A JOINTLY CONTROLLED ENTITY

The amount is unsecured, interest-free and has no fixed repayment terms. The amount will not be repayable within twelve months from the end of the reporting period and the balance is therefore shown under non-current liabilities.

44. SHARE CAPITAL

	Number of shares		Share capital	
	31st December, 2010	1st January, 2009 and 31st December, 2009	**31st December, 2010**	1st January, 2009 and 31st December, 2009
	'000	*'000*	***HK$'000***	*HK$'000*
Authorised:				
Ordinary shares of HK$0.10 each	**1,000,000**	1,000,000	**100,000**	100,000
Issued and fully paid:				
At beginning and end of the year	**793,124**	793,124	**79,312**	79,312

45. TRANSLATION RESERVE AND NON-CONTROLLING INTERESTS

	Translation reserve	**Non-controlling interests**
	HK$'000	***HK$'000***
At 1st January, 2009	502,261	36,977
Profit for the year	–	31,099
Exchange difference arising on translation of foreign operations	(305)	(258)
Reclassification adjustment for translation reserve upon disposal of interests in subsidiaries	(7,380)	–
Share of reserve of associates	24,131	–
At 31st December, 2009	518,707	67,818
Profit for the year	–	3,392
Arising on capital injection into a subsidiary	–	8,336
Capital contribution from non-controlling shareholders of a subsidiary	–	22,743
Exchange difference arising on translation of foreign operations	1,259	1,041
Reclassification adjustment for translation reserve upon disposal of interest in an associate	(8,300)	–
Reclassification adjustment for translation reserve upon disposal of interests in subsidiaries	3,439	–
Reclassification adjustment for translation reserve upon disposal of interest in a jointly controlled entity	(4,156)	–
Share of reserve of associates	56,381	–
At 31st December, 2010	**567,330**	**103,330**

46. SHARE OPTION SCHEME

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

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

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

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

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

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

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. At the date of grant, the estimated fair value of the options granted was HK$3,585,000.

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.

46. SHARE OPTION SCHEME (Cont'd)

The Group recognised this fair value over the vesting period (from 9th July, 2007 to 8th July, 2008) as expense for the years ended 31st December, 2008 and 2007.

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, 2010:

			Number of options			
Date of grant	Exercisable period	Exercise price per share *HK$*	Outstanding at 1st January, 2010	Granted during the year	Lapsed during the year	Outstanding at 31st December, 2010
Directors:						
9th July, 2007	9th July, 2008 to 8th July, 2011	3.39	4,070,000	–	–	**4,070,000**
Employees:						
9th July, 2007	9th July, 2008 to 8th July, 2011	3.39	1,210,000	–	–	**1,210,000**
			5,280,000	–	–	**5,280,000**
Number of options exercisable at the end of the year						**5,280,000**

46. SHARE OPTION SCHEME (Cont'd)

Year ended 31st December, 2009:

			Number of options			
Date of grant	Exercisable period	Exercise price per share *HK$*	Outstanding at 1st January, 2009	Granted during the year	Lapsed during the year	Outstanding at 31st December, 2009
Directors:						
9th July, 2007	9th July, 2008 to 8th July, 2011	3.39	4,620,000	–	(550,000)	4,070,000
Employees:						
9th July, 2007	9th July, 2008 to 8th July, 2011	3.39	1,210,000	–	–	1,210,000
			5,830,000	–	(550,000)	5,280,000
Number of options exercisable at the end of the year						5,280,000

47. DISPOSAL OF A SUBSIDIARY

During the year, the Group has disposed of a subsidiary, Hsin Lung Construction Company Limited ("Hsin Lung"), to a third party for a consideration of HK$28. The net liabilities of Hsin Lung over which control is lost at the date of disposal were as follows:

	2010 *HK$'000*
Trade and other receivables	**16**
Trade and other payables	**(9,378)**
	(9,362)

47. DISPOSAL OF A SUBSIDIARY (Cont'd)

Gain on disposal of a subsidiary:

	2010 *HK$'000*
Consideration received	–
Net liabilities disposed of	(9,362)
Translation reserve released	3,439
	(5,923)

The impact of Hsin Lung on the Group's results and cash flows in the current and prior years is insignificant.

48. 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 debts, which include loans from a director, other borrowings, bank loans and structured borrowing as disclosed in notes 36 to 39 and equity attributable to owners of the Company, comprising issued capital and reserves.

The directors of the Company review the capital structure periodically. As a part of this review, the management of the Group assesses the annual budget prepared by the treasury department which reviews the planned construction projects proposed by engineering department and prepares the annual budget taking into account of the provision of funding. Based on the proposed annual budget, the management of the Group considers the cost of capital and the risks associate with the share capital. The directors of the Company 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.

49. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	31st December,	
	2010	2009
	HK$'000	*HK$'000*
Financial assets		
Held-for-trading investments	**36,618**	43,975
Loans and receivables (including cash and cash equivalents)	**380,945**	301,054
	417,563	345,029
Financial liabilities		
Amortised cost	**459,751**	438,404
Structured borrowing (see below)	**12,561**	25,345
	472,312	463,749

Structured borrowing *(note)*

	31st December,	
	2010	2009
	HK$'000	*HK$'000*
Difference between carrying amount and outstanding principal amount		
At fair value	**12,561**	25,345
Outstanding principal at the end of the reporting period	**(12,480)**	(24,960)
	81	385

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.

49. FINANCIAL INSTRUMENTS (Cont'd)

(b) Financial risk management objectives and policies

The Group's major financial instruments include loan and other receivables, other financial asset, debtors, equity investments, pledged bank deposits and bank balances, creditors, bank and other borrowings, structured borrowing and amounts due from/to associates, jointly controlled entities, a related company and non-controlling shareholders, and loans from a director and non-controlling 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, amounts due from jointly controlled entities, bank balances, creditors, bank loans and structured borrowing are denominated in foreign currencies which are different from the functional currency of the respective group entities 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.

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

	Assets		**Liabilities**	
	31st December,		**31st December,**	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
United States dollars	**–**	–	**20,299**	36,967
Renminbi	**5,823**	5,276	**5,286**	3,452

Sensitivity analysis

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

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

As monetary assets and liabilities involved in Renminbi are insignificant, no foreign currency sensitivity analysis in relation to Renminbi is disclosed.

49. 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 and other borrowings which exposed the Group to fair value interest rate risk. However, management considers that the fair value interest rate risk is minimal as the amount of fixed-rate bank and other borrowings 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 at FVTPL as disclosed in note 39. Other than the structured borrowing, amount due to an associate, loans from a director and variable-rate bank borrowings also expose the Group to cash flow interest rate risk (see notes 35, 36 and 38). Majority of the bank borrowings are at variable-rate and determined by reference to the prevailing market rate.

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

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

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period.

For non-derivative financial liabilities including amount due to an associate, loans from a director and variable-rate bank borrowings, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 100 basis points (31st December, 2009: 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.

49. 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 (Cont'd)

If interest rates had been 100 basis points (31st December, 2009: 100 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31st December, 2010 would decrease/increase by HK$1,277,000 (2009: decrease/increase by HK$1,009,000). This is mainly attributable to the Group's exposure to interest rates on its amount due to an associate, loans from a director and variable-rate bank 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 (31st December, 2009: 15) 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, 2010 would decrease by HK$4,119,000 (2009: HK$7,726,000). 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 its structured borrowing.

(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.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity securities price risks at the end of the reporting period.

49. FINANCIAL INSTRUMENTS (Cont'd)

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

Market risk (Cont'd)

(iii) Other price risk (Cont'd)

Sensitivity analysis (Cont'd)

If the prices of the respective equity instruments had been 10% (31st December, 2009: 10%) higher/lower while all other variables were held constant, the Group's post-tax profit for the year ended 31st December, 2010 would increase/decrease by HK$3,058,000 (2009: HK$3,672,000) as a result of the changes in fair value of the held-for-trading investments.

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

Credit risk

At 31st December, 2010, 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 statement of financial position. 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. The directors of the Company consider that the Government of the HKSAR is financially sound and accordingly no provision is required.

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 the end of each reporting period 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.

49. FINANCIAL INSTRUMENTS (Cont'd)

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

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. At 31st December, 2010, the Group has available unutilised bank and other borrowings of approximately HK$175,110,000 (31st December, 2009: HK$102,110,000) and HK$26,153,000 (31st December, 2009: HK$22,284,000) respectively.

Liquidity tables

The following table details the Group's remaining contractual maturity for its financial liabilities and obligations under finance lease arrangement. 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. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

	Weighted average effective interest rate	Repayable on demand or 3 months or less	4-6 months	7-12 months	2-3 years	Over 3 years	Total undiscounted cash flows	Carrying amount at 31.12.2010
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31st December, 2010								
Non-interest bearing		280,825	1,452	7,690	10,387	15,967	316,321	306,806
Fixed interest rate instruments	8.96	43	21	8	–	–	72	69
Variable interest rate instruments	2.77	120,780	625	5,202	26,514	–	153,121	152,876
Obligations under finance lease arrangement	5.70	12	12	23	31	–	78	74
Structured borrowing		–	6,240	6,240	–	–	12,480	12,561
		401,660	8,350	19,163	36,932	15,967	482,072	472,386

49. FINANCIAL INSTRUMENTS (Cont'd)

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

Liquidity risk (Cont'd)

Liquidity tables (Cont'd)

	Weighted average effective interest rate	Repayable on demand or 3 months or less	4-6 months	7-12 months	2-3 years	Over 3 years	Total undiscounted cash flows	Carrying amount at 31.12.2009
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31st December, 2009								
Non-interest bearing		280,413	4,395	6,500	22,171	17,155	330,634	320,802
Fixed interest rate instruments	8.96	44	44	87	71	–	246	230
Variable interest rate instruments	2.35	98,422	10,063	9,255	–	–	117,740	117,372
Obligations under finance lease arrangement	5.70	12	12	23	73	5	125	115
Structured borrowing		–	6,240	6,240	12,480	–	24,960	25,345
		378,891	20,754	22,105	34,795	17,160	473,075	463,864

Bank loans with a repayment on demand clause are included in the "repayable on demand or 3 months or less" time band in the above maturity analysis. At 31st December, 2010 and 31st December, 2009, the aggregate undiscounted principal amounts of these bank loans amounted to HK$85,138,000 and HK$66,250,000 respectively. Taking into account the Group's financial position, the directors do not believe that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank loans will be repaid in the first to fifth year after the reporting date in accordance with the scheduled repayment dates as set out in the loan agreements. Accordingly, the aggregate principal and interest cash outflows will amount to HK$88,961,000.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

49. 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; and
- the fair value of financial liabilities at FVTPL is estimated with reference to the valuation provided by the counterparty bank.

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

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 to 3 based on degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

49. FINANCIAL INSTRUMENTS (Cont'd)

(c) Fair value (Cont'd)

Fair value measurements recognised in the consolidated statement of financial position (Cont'd)

At 31st December, 2010

	Level 1 *HK$'000*	Level 2 *HK$'000*	Level 3 *HK$'000*	Total *HK$'000*
Financial asset at FVTPL				
Listed equity securities	**36,618**	**–**	**–**	**36,618**
Financial liability at FVTPL				
Structured borrowing	**–**	**–**	**12,561**	**12,561**

At 31st December, 2009

	Level 1 *HK$'000*	Level 2 *HK$'000*	Level 3 *HK$'000*	Total *HK$'000*
Financial asset at FVTPL				
Listed equity securities	43,975	–	–	43,975
Financial liability at FVTPL				
Structured borrowing	–	–	25,345	25,345

There were no transfers between Level 1 and 2 nor transfers into or out of Level 3 in current and prior years.

Reconciliation of Level 3 fair value measurements of financial liability

	2010 ***HK$'000***	2009 *HK$'000*
Structured borrowing		
Balance at the beginning of the year	**25,345**	53,021
Settlements during the year	**(12,480)**	(12,480)
Change in fair value recognised in profit or loss	**(304)**	(15,196)
Balance at the end of the year	**12,561**	25,345

50. CAPITAL COMMITMENTS

Capital expenditure in respect of the acquisition of property, plant and equipment:

	31st December,	
	2010	2009
	HK$'000	*HK$'000*
Contracted for but not provided in the consolidated financial statements	**21,473**	–
Authorised but not contracted for	**12,275**	–
	33,748	–

51. OPERATING LEASE COMMITMENTS

The Group as lessor

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease receipts under non-cancellable operating leases:

	31st December,	
	2010	2009
	HK$'000	*HK$'000*
Within one year	**189**	100
In the second to fifth year inclusive	**321**	138
	510	238

The Group as lessee

At the end of the reporting period, 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:

	31st December,	
	2010	2009
	HK$'000	*HK$'000*
Within one year	**42,732**	10,236
In the second to fifth year inclusive	**104,634**	3,607
	147,366	13,843

51. OPERATING LEASE COMMITMENTS (Cont'd)

Operating lease commitments represent rentals receivable/payable by the Group for certain of its office premises/land. Leases are negotiated/tendered for terms ranging from one to five years and rentals are fixed at the time of entering the respective leases.

52. TENDER/PERFORMANCE/RETENTION BONDS

	31st December,	
	2010	2009
	HK$'000	*HK$'000*
Outstanding amount for construction contracts	**203,349**	154,763

53. RETIREMENT BENEFITS SCHEMES

The Group operates two 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 obligation of the Group with respect to the retirement scheme is to make the specified contributions.

During the year, the amount charged to profit or loss of HK$10,785,000 (2009: HK$8,109,000) represents the aggregate retirement benefits scheme contributions for the Group's employees, net of forfeited contributions.

54. RELATED PARTY TRANSACTIONS

During the year, the Group entered into the following transactions with related parties:

	Service income		Interest expense	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Associates	**493**	771	**–**	141
A jointly controlled entity	**6,684**	–	**–**	–
A related company	**–**	–	**–**	65
A director	**–**	–	**–**	361

At 31st December, 2010, a director provided personal guarantees amounting to HK$12,500,000 (31st December, 2009: HK$12,500,000) to a bank to secure certain general banking facilities granted to the Group.

The amounts due from/to related parties are set out in the consolidated statement of financial position and respective notes 31, 35, 36, 41, 42 and 43.

Compensation of key management personnel

	2010	2009
	HK$'000	*HK$'000*
Short-term employee benefits	**22,957**	17,237
Post-employment benefits	**1,401**	1,158
	24,358	18,395

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

55. PRINCIPAL SUBSIDIARIES

Name of subsidiary	Place of incorporation or registration/ operation	Issued and fully paid ordinary share capital/ registered capital*	Effective interest held by the Group 31st December, 2010 %	2009 %	Principal activities
Build King Holdings Limited *(note a)*	Bermuda/HKSAR	HK$124,187,799	**51.17**	51.17	Investment holding and civil engineering
Excel Concrete Limited	HKSAR	HK$10,000,000	**94.05** *(note b)*	75 *(note b)*	Manufacturing and trading of concrete
Kaden Construction Limited	United Kingdom/ HKSAR	GBP16,072,500	**51.17** *(note c)*	51.17 *(note c)*	Construction and civil engineering
Leader Civil Engineering Corporation Limited	HKSAR	HK$25,200,000 Ordinary shares	**51.17** *(note c)*	51.17 *(note c)*	Civil engineering
		HK$24,000,000 Non-voting deferred shares	**51.17** *(note c)*	51.17 *(note c)*	
Leader Marine Contractors Limited	HKSAR	HK$200,000	**51.17** *(note c)*	51.17 *(note c)*	Marine engineering and provision of transportation services
Leader Marine L.L.C.	Sharjah, United Arab Emirates ("U.A.E.")	Dh300,000	**51.17** *(note c)*	51.17 *(note c)*	Ships and boats rental and shipping services
Leader Marine Cont. L.L.C.	Sharjah, U.A.E.	Dh300,000	**51.17** *(note c)*	51.17 *(note c)*	First class contracting/ specialised in marine construction

55. PRINCIPAL SUBSIDIARIES (Cont'd)

Name of subsidiary	Place of incorporation or registration/ operation	Issued and fully paid ordinary share capital/ registered capital*	Effective interest held by the Group 31st December, 2010 %	2009 %	Principal activities
Mega Yield International Holdings Limited ("Mega Yield")	HKSAR	HK$105,000,000	**94.05**	75	Investment holding
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 China Construction Company Limited	HKSAR	HK$10,000,000	**51.17** *(note c)*	51.17 *(note c)*	Civil engineering
Wai Kee Quarry Asia Limited	HKSAR	HK$2	**100**	100	Investment holding
Wai Kee (Zens) Construction & Transportation Company Limited	HKSAR	HK$2 Ordinary shares	**51.17** *(note c)*	51.17 *(note c)*	Civil engineering
		HK$14,800,000 Non-voting deferred shares	**51.17** *(note c)*	51.17 *(note c)*	
		HK$5,200,000 Non-voting deferred shares *(note d)*	**–**	–	
Wai Kee (Zens) Holding Limited	British Virgin Islands	US$50,000	**100**	100	Investment holding
Wuxi Qianhui Sewage Treatment Co., Ltd. *(note e)*	PRC	US$5,400,000*	**48.92** *(note c)*	48.92 *(note c)*	Sewage treatment

55. PRINCIPAL SUBSIDIARIES (Cont'd)

Name of subsidiary	Place of incorporation or registration/ operation	Issued and fully paid ordinary share capital/ registered capital*	Effective interest held by the Group 31st December, 2010 %	2009 %	Principal activities
Zhuhai Guishan Seawall Construction Company *(note e)*	PRC	HK$21,000,000*	**80**	80	Seawall construction and production of construction materials
惠記環保工程(上海)有限公司 *(note f)*	PRC	US$800,000*	**51.17** *(note c)*	51.17 *(note c)*	Environmental engineering

Notes:

(a) The shares of Build King are listed on the Main Board of the Stock Exchange.

(b) The Group holds the effective interest in the subsidiary through Mega Yield.

(c) The Group holds the effective interest in the subsidiary through Build King.

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

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

(f) The company is foreign owned enterprise registered in the PRC.

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

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

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

56. SUMMARISED STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	31st December,	
	2010	2009
	HK$'000	*HK$'000*
Investments in subsidiaries	**123,915**	123,915
Amounts due from subsidiaries	**1,783,606**	1,609,321
Other current assets	**2,638**	655
Amounts due to subsidiaries	**(683,265)**	(499,113)
Other current liabilities	**(875)**	(926)
Bank loans	**(55,250)**	(78,250)
Structured borrowing	**(12,561)**	(25,345)
	1,158,208	1,130,257
Share capital	**79,312**	79,312
Reserves	**1,078,896**	1,050,945
	1,158,208	1,130,257

RESULTS

	Year ended 31st December,				
	2006	2007	2008	2009	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Group revenue	678,236	871,679	837,434	844,313	**734,273**
Share of revenue of jointly controlled entities	383,525	486,452	214,412	213,071	**192,572**
Group revenue and share of revenue of jointly controlled entities	1,061,761	1,358,131	1,051,846	1,057,384	**926,845**
(Loss) profit for the year from operations					
Company and subsidiaries	(20,423)	(8,041)	(139,295)	32,647	**(61,756)**
Share of results of associates	285,050	319,874	230,743	280,586	**241,019**
Share of results of jointly controlled entities	26,860	29,045	26,572	37,869	**30,039**
Profit before tax	291,487	340,878	118,020	351,102	**209,302**
Income tax (expense) credit	(25,948)	(6,834)	113	(4,182)	**(322)**
Profit for the year	265,539	334,044	118,133	346,920	**208,980**
Profit attributable to:					
Owners of the Company	262,615	328,431	161,392	315,821	**205,588**
Non-controlling interests	2,924	5,613	(43,259)	31,099	**3,392**
	265,539	334,044	118,133	346,920	**208,980**

FINANCIAL POSITION

	At 31st December,				
	2006	2007	2008	2009	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Total assets	3,602,188	4,145,671	4,445,447	4,515,006	**4,716,113**
Total liabilities	(701,143)	(817,882)	(822,394)	(526,520)	**(546,923)**
	2,901,045	3,327,789	3,623,053	3,988,486	**4,169,190**
Equity attributable to owners of the Company	2,833,449	3,253,050	3,586,076	3,920,668	**4,065,860**
Non-controlling interests	67,596	74,739	36,977	67,818	**103,330**
	2,901,045	3,327,789	3,623,053	3,988,486	**4,169,190**

EXECUTIVE DIRECTORS

ZEN Wei Pao, William *(Chairman)*
ZEN Wei Peu, Derek *(Vice Chairman)*
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

COMPANY SECRETARY

CHIU Wai Yee, Anriena

AUDITOR

Deloitte Touche Tohmatsu

SOLICITORS

Reed Smith Richards Butler
Sidley Austin
Conyers Dill & Pearman

PRINCIPAL BANKERS

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

REGISTERED OFFICE

Clarendon House
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PRINCIPAL PLACE OF BUSINESS

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Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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Rosebank Centre
11 Bermudiana Road
Pembroke HM 08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Secretaries Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Hong Kong

STOCK CODE

The Stock Exchange of Hong Kong Limited – 610

Wai Kee Holdings Limited