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# Notes to the Financial Statements

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*For the year ended 31st December, 2004*

## 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 Company acts as an investment holding company. The principal activities of its principal subsidiaries, associates and jointly controlled entities are set out in notes 44, 18 and 19 respectively.

Share of turnover of jointly controlled entities is disclosed in the consolidated income statement so as to provide additional information in respect of the financial position and financial performance of the Group. The information provided is solely for internal purpose.

## 2. ADOPTION OF STATEMENT OF STANDARD ACCOUNTING PRACTICE AND RECENTLY ISSUED ACCOUNTING STANDARDS

In the current year, an associate of the Group has adopted, for the first time, Statement of Standard Accounting Practice ("SSAP") 36 "Agriculture" issued by Hong Kong Institute of Certified Public Accountants ("HKICPA") which is effective for accounting periods commencing on or after 1st January, 2004.

The principal effect of the adoption of SSAP 36 is in relation to the agricultural activities undertaken by the associate. SSAP 36 requires the measurement of biological assets and agricultural produce at their fair value less estimated point-of-sale costs. The gain or loss arising from a change in fair value less estimated point-of-sale costs is included in the profit or loss for the year in which it arises. However, given the uncertainty in the process of producing the ginseng crops and the lack of a market for immature ginseng, the ginseng crops are stated at cost until the time of harvest. In the absence of any specific transitional requirements in SSAP 36, the new accounting policy has been applied retrospectively.

As a result of this change in policy, the retained profits of the Group at 1st January, 2004 has been increased by HK\$5,433,000 (1st January, 2003: increased by HK\$3,989,000). The translation reserve at 1st January, 2004 has been increased by HK\$611,000 (1st January, 2003: decreased by HK\$122,000). The interests in associates at 1st January, 2004 has been increased by HK\$6,044,000 (1st January, 2003: increased by HK\$3,867,000). The share of results of associates and the profit for the year ended 31st December, 2004 have been decreased by HK\$5,267,000 (2003: increased by HK\$1,444,000) respectively.

## 2. ADOPTION OF STATEMENT OF STANDARD ACCOUNTING PRACTICE AND RECENTLY ISSUED ACCOUNTING STANDARDS *(Continued)*

HKICPA has also issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods beginning on or after 1st January, 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31st December, 2004.

The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention as modified for valuation of certain investments. The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards, which includes Statements of Standard Accounting Practice and Interpretations issued by the HKICPA, and accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

### **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to the balance sheet date each year.

All significant intercompany transactions and balances within the Group have been eliminated on consolidation.

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

### **Goodwill**

Goodwill arising on consolidation represents the excess of the purchase consideration over the fair value of the Group's share of the identifiable assets and liabilities of subsidiaries, associates or jointly controlled entities at the date of acquisition. Goodwill is recognised as an asset in the consolidated balance sheet and amortised on a straight-line basis over its estimated useful life.

Goodwill arising on the acquisition of associates or jointly controlled entities is included within the carrying amount of the associates or jointly controlled entities. Goodwill arising on the acquisition of subsidiaries is presented separately in the consolidated balance sheet.

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# Notes to the Financial Statements

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*For the year ended 31st December, 2004*

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Negative goodwill**

Negative goodwill represents the excess of the fair value of the Group's share of the identifiable assets and liabilities of subsidiaries, associates or jointly controlled entities at the date of acquisition over the cost of acquisition. Negative goodwill is presented as a deduction from assets in the consolidated balance sheet. Negative goodwill will be released to income based on an analysis of the circumstances from which the balance resulted.

Negative goodwill arising on the acquisition of associates or jointly controlled entities is deducted from the carrying amount of those associates or jointly controlled entities. Negative goodwill arising on the acquisition of subsidiaries is presented separately in the consolidated balance sheet as a deduction from assets.

### **Investments in subsidiaries**

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss. Results of subsidiaries are accounted for by the Company on the basis of dividends received or receivable during the year.

### **Revenue recognition**

Sale of goods is recognised when goods are delivered and title has passed.

Service income is recognised when services are provided.

When the outcome of a construction contract can be estimated reliably, revenue from fixed price construction contracts is recognised on the percentage of completion method, measured by reference to the value of work performed during the year.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

Interest income is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable.

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

Rental income, including rental invoiced in advance from properties let under operating leases, is recognised on a straight-line basis over the terms of the relevant leases.

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any identified impairment loss. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use.

The gain or loss arising from disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives, using the straight-line method, at the following rates per annum:

Leasehold land	Over the terms of the relevant leases
Buildings	4% or over the terms of the relevant leases, whichever is shorter
Leasehold improvements	33 $\frac{1}{3}$ % or over the terms of the relevant leases, whichever is shorter
Plant and machinery	10% — 25%
Furniture, fixtures and equipment	25%
Motor vehicles	25%
Vessels	10% — 15%

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

#### Inventories

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

#### Interests in associates

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates plus goodwill and less negative goodwill on acquisition in so far as it has not already been written off or amortised or released to income, and less any identified impairment loss.

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# Notes to the Financial Statements

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For the year ended 31st December, 2004

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Jointly controlled entities

Joint venture arrangements which involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities.

The Group's share of post-acquisition results of jointly controlled entities is included in the consolidated income statement. The Group's interests in jointly controlled entities are included in the consolidated balance sheet at the Group's share of net assets of the jointly controlled entities plus goodwill and less negative goodwill on acquisition in so far as it has not already been written off or amortised or released to income, and less any identified impairment loss.

### Construction contracts

When the outcome of a construction contract can be estimated reliably, contract costs are charged to the income statement by reference to the stage of completion of the contract activity at the balance sheet date on the same basis as the contract revenue recognised.

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

When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

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

### Investments

Investments are recognised on a trade date basis and are initially measured at cost.

At subsequent reporting dates, debt securities that the Group has the expressed intention and ability to hold to maturity (held-to-maturity securities) are measured at amortised cost, less any identified impairment loss recognised to reflect irrecoverable amounts. Any discount or premium on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

### 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### **Investments** *(Continued)*

Investments other than held-to-maturity debt securities are classified as investment securities and other investments.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost less any identified impairment loss.

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the period.

#### **Leased assets**

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance leases are capitalised at their fair values at the date of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the period of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

All other leases are classified as operating leases and the annual rentals are charged to the income statement on a straight-line basis over the relevant lease terms.

#### **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

All other borrowing costs are expensed in the period in which they are incurred.

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# Notes to the Financial Statements

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*For the year ended 31st December, 2004*

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Foreign currencies

Transactions in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are re-translated at the rates prevailing on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

On consolidation, the assets and liabilities of the Group's overseas operations which are denominated in foreign currencies, are translated at exchange rates prevailing on the balance sheet date. Income and expense items, which are denominated in foreign currencies, are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

### Share options

The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recognised in the income statement in respect of the value of options granted in the year. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

### Taxation

Taxation 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 net profit as reported in the 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.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative 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 *(Continued)*

#### **Taxation** *(Continued)*

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

#### **Retirement benefit schemes contributions**

The contributions payable to the Group's Mandatory Provident Fund Schemes ("MPF Schemes") are charged as expenses as they fall due.

#### **Impairment**

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

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



# Notes to the Financial Statements

For the year ended 31st December, 2004

## 4. TURNOVER

	2004 HK\$'000	2003 HK\$'000
Revenue from:		
Civil construction	377,122	640,755
Quarrying	119,526	124,990
Others	11,381	2,161
	<hr/> 508,029	<hr/> 767,906

## 5. SEGMENTAL INFORMATION

The Group's turnover and profit for the year ended 31st December, 2004 and 2003 by business segments (primary) and geographical segments are as follows:

### (a) Business segments

For management purposes, the Group classifies its businesses into three operating divisions — civil construction, quarrying, highway and expressway operations, and other operations, in which highway and expressway is operated through an associate of the Group. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Civil construction

- construction of civil engineering projects

Quarrying

- production and sale of quarry products

Highway and expressway operations

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

# Notes to the Financial Statements

For the year ended 31st December, 2004

## 5. SEGMENTAL INFORMATION (Continued)

### (a) Business segments (Continued)

	Civil construction HK\$'000	Quarrying HK\$'000	Highway and expressway operations HK\$'000	Others HK\$'000	Elimination on inter-segment sales HK\$'000	Total HK\$'000
<b>Year ended 31st December, 2004</b>						
<b>Results</b>						
Group turnover	377,122	119,526	—	11,381	—	508,029
Add: Inter-segment sales	—	389	—	—	(389)	—
Segment turnover	377,122	119,915	—	11,381	(389)	508,029
Share of turnover of jointly controlled entities	363,640	—	—	—	—	363,640
Group turnover and share of turnover of jointly controlled entities	740,762	119,915	—	11,381	(389)	871,669
The inter-segment sales were charged at cost plus a percentage of profit mark up.						
Segment results	(95,124)	(36,623)	—	(16,817)	—	(148,564)
Share of results of jointly controlled entities	173,751	—	—	—	—	173,751
Segment results and share of results of jointly controlled entities	78,627	(36,623)	—	(16,817)	—	25,187
Gain on disposal of interest in a property development project	—	—	—	475,309*	—	475,309
Unallocated corporate expenses	—	—	—	—	—	(13,205)
Profit from operations	—	—	—	—	—	487,291
Finance costs	—	—	—	—	—	(1,526)
Share of results of associates	1,437	—	186,535	(3,603)	—	184,369
Amortisation of goodwill of an associate	(529)	—	—	—	—	(529)
Loss on deemed disposal of partial interest in an associate	—	—	(6,964)	—	—	(6,964)
Negative goodwill released to income	—	—	9,698	3,181	—	12,879
Profit before taxation	—	—	—	—	—	675,520
Taxation	—	—	—	—	—	(42,874)
Profit before minority interests	—	—	—	—	—	632,646
Minority interests	—	—	—	—	—	(23,814)
Profit for the year	—	—	—	—	—	608,832
<b>At 31st December, 2004</b>						
<b>Assets</b>						
Segment assets	316,703	89,475	—	129,969	—	536,147
Interests in associates	4,535	—	2,211,521	7,035	—	2,223,091
Interests in jointly controlled entities	50,312	—	—	—	—	50,312
Unallocated corporate assets	—	—	—	—	—	78,869
Total consolidated assets	—	—	—	—	—	2,888,419
<b>Liabilities</b>						
Segment liabilities	255,959	44,048	—	34,740	—	334,747
Unallocated corporate liabilities	—	—	—	—	—	36,984
Total consolidated liabilities	—	—	—	—	—	371,731
<b>Other information</b>						
Goodwill addition	37,622	—	—	—	—	37,622
Capital additions	7,371	525	—	1,284	—	9,180
Allowance for loans receivable	—	34,000	—	—	—	34,000
Amortisation of goodwill	1,672	—	—	—	—	1,672
Depreciation	4,063	2,519	—	1,755	—	8,337

\* These results were related to the Group's interest in a property development project.

# Notes to the Financial Statements

For the year ended 31st December, 2004

## 5. SEGMENTAL INFORMATION (Continued)

### (a) Business segments (Continued)

	Civil construction	Quarrying	Highway and expressway operations (Restated)	Others	Elimination on inter-segment sales	Total (Restated)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Year ended 31st December, 2003</b>						
<b>Results</b>						
Group turnover	640,755	124,990	—	2,161	—	767,906
Add: Inter-segment sales	—	3,000	—	1,422	(4,422)	—
Segment turnover	640,755	127,990	—	3,583	(4,422)	767,906
Share of turnover of jointly controlled entities	566,500	—	—	—	—	566,500
Group turnover and share of turnover of jointly controlled entities	1,207,255	127,990	—	3,583	(4,422)	1,334,406
The inter-segment sales were charged at cost plus a percentage of profit mark up.						
Segment results	(38,314)	9,123	—	(1,811)	—	(31,002)
Share of results of jointly controlled entities	101,102	—	—	(11,510)*	—	89,592
Segment results and share of results of jointly controlled entities	62,788	9,123	—	(13,321)	—	58,590
Unallocated corporate expenses	—	—	—	—	—	(16,335)
Profit from operations	—	—	—	—	—	42,255
Finance costs	—	—	—	—	—	(15,689)
Share of results of associates	1,472	—	160,259	2,630	—	164,361
Amortisation of goodwill of an associate	(926)	—	—	—	—	(926)
Loss on deemed disposal of partial interest in an associate	—	—	(27,022)	—	—	(27,022)
Negative goodwill released to income	—	—	3,758	—	—	3,758
Profit before taxation	—	—	—	—	—	166,737
Taxation	—	—	—	—	—	(32,725)
Profit before minority interests	—	—	—	—	—	134,012
Minority interests	—	—	—	—	—	(8,685)
Profit for the year	—	—	—	—	—	125,327
<b>At 31st December, 2003</b>						
<b>Assets</b>						
Segment assets	350,867	137,937	—	56,943	—	545,747
Interests in associates	3,631	—	2,061,314	10,643	—	2,075,588
Interests in jointly controlled entities	45,736	—	—	(33,999)	—	11,737
Unallocated corporate assets	—	—	—	—	—	12,424
Total consolidated assets	—	—	—	—	—	2,645,496
<b>Liabilities</b>						
Segment liabilities	328,375	37,826	—	16,896	—	383,097
Unallocated corporate liabilities	—	—	—	—	—	188,654
Total consolidated liabilities	—	—	—	—	—	571,751
<b>Other information</b>						
Capital additions	355	6,615	—	9,286	—	16,256
Depreciation	3,331	2,498	—	1,738	—	7,567
Impairment loss on property, plant and equipment	5,010	—	—	—	—	5,010

\* These results were related to the Group's interest in a property development project.

# Notes to the Financial Statements

For the year ended 31st December, 2004

## 5. SEGMENTAL INFORMATION (Continued)

### (b) Geographical segments

	Hong Kong HK\$'000	Other regions in the People's Republic of China (the "PRC") HK\$'000	Taiwan HK\$'000	Total HK\$'000
<b>Year ended 31st December, 2004</b>				
<b>Results</b>				
Segment turnover	384,549	96,983	26,497	508,029
Share of turnover of jointly controlled entities	287,936	—	75,704	363,640
Segment turnover and share of turnover of jointly controlled entities	672,485	96,983	102,201	871,669
Segment results	(139,754)	(10,646)	1,836	(148,564)
Share of results of jointly controlled entities	145,791	2,621	25,339	173,751
Segment results and share of results of jointly controlled entities	6,037	(8,025)	27,175	25,187
Gain on disposal of interest in a property development project	475,309	—	—	475,309
Unallocated corporate expenses				(13,205)
Profit from operations				487,291
Finance costs				(1,526)
Share of results of associates	(1,870)	186,535	(296)	184,369
Amortisation of goodwill of an associate	(529)	—	—	(529)
Loss on deemed disposal of partial interest in an associate	—	(6,964)	—	(6,964)
Negative goodwill released to income	3,181	9,698	—	12,879
Profit before taxation				675,520
Taxation				(42,874)
Profit before minority interests				632,646
Minority interests				(23,814)
Profit for the year				608,832

# Notes to the Financial Statements

For the year ended 31st December, 2004

## 5. SEGMENTAL INFORMATION (Continued)

### (b) Geographical segments (Continued)

	Hong Kong	Other regions in the PRC (Restated)	Taiwan	Total (Restated)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Year ended 31st December, 2003</b>				
<b>Results</b>				
Segment turnover	626,593	71,238	70,075	767,906
Share of turnover of jointly controlled entities	548,393	105	18,002	566,500
Segment turnover and share of turnover of jointly controlled entities	1,174,986	71,343	88,077	1,334,406
Segment results	(5,480)	(2,181)	(23,341)	(31,002)
Share of results of jointly controlled entities	86,198	(624)	4,018	89,592
Segment results and share of results of jointly controlled entities	80,718	(2,805)	(19,323)	58,590
Unallocated corporate expenses				(16,335)
Profit from operations				42,255
Finance costs				(15,689)
Share of results of associates	4,398	160,259	(296)	164,361
Amortisation of goodwill of an associate	(926)	—	—	(926)
Loss on deemed disposal of partial interest in an associate	—	(27,022)	—	(27,022)
Negative goodwill released to income	—	3,758	—	3,758
Profit before taxation				166,737
Taxation				(32,725)
Profit before minority interests				134,012
Minority interests				(8,685)
Profit for the year				125,327

# Notes to the Financial Statements

For the year ended 31st December, 2004

## 5. SEGMENTAL INFORMATION (Continued)

### (b) Geographical segments (Continued)

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

	Carrying amount of total assets		Additions to property, plant and equipment	
	2004	2003 (Restated)	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets located in:				
Hong Kong	346,033	226,288	7,115	430
Other regions in the PRC	178,800	183,234	2,065	15,826
Taiwan	11,314	136,225	—	—
Total segment assets	536,147	545,747	9,180	16,256
Interests in associates	2,223,091	2,075,588		
Interests in jointly controlled entities	50,312	11,737		
Unallocated corporate assets	78,869	12,424		
Total consolidated assets	2,888,419	2,645,496		

## 6. OTHER OPERATING INCOME

	2004 HK\$'000	2003 HK\$'000
Other operating income includes the following:		
Unrealised gain on revaluation of investments	3,120	7,837
Interest on bank deposits	491	337
Interest on investments	1,508	190
Interest on other receivables	26	289
Gain on disposal of property, plant and equipment	—	1,336
Gain on disposal of investments	1,271	3,267
Rental income from property, plant and equipment	141	144

# Notes to the Financial Statements

For the year ended 31st December, 2004

## 7. GAIN ON DISPOSAL OF INTEREST IN A PROPERTY DEVELOPMENT PROJECT

Pursuant to an agreement dated 3rd February, 2004, Main Success Investments Limited, a wholly-owned subsidiary of the Company, disposed of the entire issued share capital of Asian Reward Development Limited, a wholly-owned subsidiary of the Company, through which the Group holds a 50% interest in a jointly controlled entity that owns a property development project. Completion of the agreement took place on 26th February, 2004 and the net assets disposed of on 26th February, 2004 are as follows:

	<i>HK\$'000</i>
Interest in a jointly controlled entity	85,343
Deferred tax assets ( <i>note 22</i> )	8,000
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Net assets disposed of	93,343
Gain on disposal	475,309
<hr/>	
Total consideration	568,652
<hr/>	
SATISFIED BY:	
Cash received	596,652
Expenses related to the disposal paid	(23,000)
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Net cash received	573,652
Accrued legal costs	(5,000)
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	568,652
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# Notes to the Financial Statements

For the year ended 31st December, 2004

## 8. PROFIT FROM OPERATIONS

	2004 HK\$'000	2003 HK\$'000
Profit from operations has been arrived at after charging:		
Auditors' remuneration		
Provision for the current year	2,600	1,203
Underprovision in prior years	78	280
	<u>2,678</u>	<u>1,483</u>
Depreciation:		
Owned assets	9,426	11,405
Assets held under finance lease and sale and leaseback arrangement	290	278
	<u>9,716</u>	<u>11,683</u>
Less: Amount attributable to construction contracts and inventories	<u>1,379</u>	<u>4,116</u>
	<u>8,337</u>	<u>7,567</u>
Amortisation of goodwill included in administrative expenses (note 16)	1,672	—
Impairment loss on property, plant and equipment	—	5,010
Hire charges for plant and machinery	28,240	13,705
Less: Amount attributable to construction contracts	<u>28,240</u>	<u>13,705</u>
	<u>—</u>	<u>—</u>
Staff costs:		
Directors' remuneration (note 10)	14,586	11,841
Other staff costs	171,804	168,036
Retirement benefits scheme contributions, excluding amounts included in directors' remuneration and net of forfeited contributions of HK\$409,000 (2003: HK\$658,000)	6,335	7,877
	<u>192,725</u>	<u>187,754</u>
Less: Amount attributable to construction contracts	<u>84,213</u>	<u>109,985</u>
	<u>108,512</u>	<u>77,769</u>
Operating lease rentals in respect of land and buildings	3,580	3,397
Less: Amount attributable to construction contracts	<u>—</u>	<u>60</u>
	<u>3,580</u>	<u>3,337</u>



# Notes to the Financial Statements

For the year ended 31st December, 2004

## 9. FINANCE COSTS

	2004 HK\$'000	2003 HK\$'000
Interest on:		
Bank and other borrowings wholly repayable within five years	1,486	15,625
Finance lease and sale and leaseback arrangement	40	64
	<hr/>	<hr/>
	1,526	15,689

## 10. DIRECTORS' REMUNERATION

	2004 HK\$'000	2003 HK\$'000
Directors' fees:		
Executive	—	—
Non-executive	290	290
Independent non-executive	290	290
	<hr/>	<hr/>
	580	580
Other emoluments — executive directors:		
Salary and other benefits	3,492	3,551
Performance related incentive payments	9,845	7,052
Retirement benefits scheme contributions	669	658
	<hr/>	<hr/>
	14,006	11,261
	<hr/>	<hr/>
	14,586	11,841

# Notes to the Financial Statements

For the year ended 31st December, 2004

## 10. DIRECTORS' REMUNERATION (Continued)

Remuneration of the directors were within the following bands:

	Number of directors	
	2004	2003
Up to HK\$1,000,000	5	5
HK\$1,500,001 to HK\$2,000,000	—	1
HK\$3,000,001 to HK\$3,500,000	1	—
HK\$3,500,001 to HK\$4,000,000	—	1
HK\$4,500,001 to HK\$5,000,000	1	—
HK\$5,000,001 to HK\$5,500,000	—	1
HK\$6,000,001 to HK\$6,500,000	1	—

## 11. EMPLOYEES' EMOLUMENTS

Details of the emoluments of the five highest paid individuals included three directors (2003: three directors) set out above. The emoluments of the remaining two (2003: two) highest paid individuals are as follows:

	2004	2003
	HK\$'000	HK\$'000
Salary and other benefits	3,297	3,385
Performance related incentive payments	3,177	812
Retirement benefits scheme contributions	211	203
	<b>6,685</b>	<b>4,400</b>

The emoluments were within the following bands:

	Number of employees	
	2004	2003
HK\$1,500,001 to HK\$2,000,000	—	1
HK\$2,500,001 to HK\$3,000,000	1	1
HK\$4,000,001 to HK\$4,500,000	1	—

# Notes to the Financial Statements

For the year ended 31st December, 2004

## 12. TAXATION

	2004 HK\$'000	2003 HK\$'000
Provision for the year		
Hong Kong	12,540	7,599
Other jurisdictions	322	454
Under (over) provision in prior years		
Hong Kong	5,481	(1,358)
Other jurisdictions	1,427	(562)
Deferred taxation		
For the year ( <i>note 22</i> )	—	(1,531)
Effect on change in tax rate ( <i>note 22</i> )	—	131
Share of tax on results of associates	20,970	19,560
Share of tax on results of jointly controlled entities	2,134	8,432
	<b>42,874</b>	<b>32,725</b>

Hong Kong Profits Tax is calculated at 17.5 per cent (2003: 17.5 per cent) on the estimated assessable profit for the year.

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

# Notes to the Financial Statements

For the year ended 31st December, 2004

## 12. TAXATION (Continued)

Taxation for the year can be reconciled to the profit before taxation per the consolidated income statement as follows:

	2004	2003
	HK\$'000	(Restated) HK\$'000
Profit before taxation	675,520	166,737
Taxation at the applicable rate of 17.5% (2003: 17.5%)	118,216	29,179
Tax effect of expenses that are not deductible in determining taxable profit	21,481	17,016
Tax effect of tax losses not recognised	6,272	9,118
Tax effect of income that is not taxable in determining taxable profit	(90,830)	(4,315)
Under (over) provision in prior year	6,908	(1,920)
Tax effect of utilisation of tax losses not previous recognised	(7,450)	(2,251)
Increase in opening deferred tax liabilities resulting from an increase in Hong Kong Profits Tax rate	—	131
Effect of different rates for the operations in other jurisdictions	169	157
Tax effect of share of results of associates	(11,924)	(9,041)
Tax effect of share of results of jointly controlled entities	435	(7,247)
Others	(403)	1,898
Taxation for the year	42,874	32,725

# Notes to the Financial Statements

For the year ended 31st December, 2004

## 13. DIVIDENDS

	2004 HK\$'000	2003 HK\$'000
Final dividend paid for the year ended		
31st December, 2003: HK5 cents (period from 1st April, 2002 to 31st December, 2002: HK2 cents) per share	39,641	15,654
Special dividend paid: HK15 cents (2003: Nil) per share	118,924	—
Interim dividend paid for the year ended		
31st December, 2004: HK5 cents (2003: HK2 cents) per share	39,646	15,697
	<b>198,211</b>	<b>31,351</b>

Other than paying the dividends in cash, a special distribution of 2,219,627,295 shares of Build King Holdings Limited (formerly known as I-China Holdings Limited) ("Build King"), the Company's subsidiary whose shares are listed on the Stock Exchange, was declared and made during the year on the basis of 14 shares of Build King per 5 shares of the Company and resulted in a reduction in the retained earnings by HK\$14,437,000.

A final dividend for the year ended 31st December, 2004 of HK6 cents (2003: HK5 cents) per ordinary share, amounting to HK\$47,587,000 (2003: HK\$39,641,000) has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting. Last year, a special dividend of HK15 cents per ordinary share, amounting to HK\$118,924,000 had also been proposed. These final and special dividends have not been included as a liability in the financial statements of respective financial years.

# Notes to the Financial Statements

For the year ended 31st December, 2004

## 14. EARNINGS PER SHARE

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

	2004 <i>HK\$'000</i>	2003 (Restated) <i>HK\$'000</i>
Earnings for the purpose of basic and diluted earnings per share	608,832	125,327
	<b>Number of shares</b>	
Weighted average number of ordinary shares for the purpose of basic earnings per share	791,090,495	783,770,884
Effect of dilutive potential ordinary shares:		
Options	1,552,729	5,503,864
Weighted average number of ordinary shares for the purpose of diluted earnings per share	792,643,224	789,274,748

As a result of the adjustments on adoption of SSAP 36 as set out in note 2, the comparative basic and diluted earnings per share were adjusted as follows:

	Basic <i>HK cents</i>	Diluted <i>HK cents</i>
Earnings per share:		
Originally stated	15.81	15.70
Adjustments arising from the changes in accounting policies	0.18	0.18
As restated	15.99	15.88

# Notes to the Financial Statements

For the year ended 31st December, 2004

## 15. PROPERTY, PLANT AND EQUIPMENT

### THE GROUP

	Leasehold land and buildings <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Vessels <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>COST</b>							
At 1st January, 2004	64,385	12,452	237,763	24,596	12,783	96,200	448,179
Exchange realignment	—	—	253	51	148	641	1,093
Acquisition of subsidiaries	—	—	—	—	51	—	51
Additions	—	67	1,442	834	84	6,753	9,180
Disposals	—	(93)	(4,295)	(331)	(3,074)	(227)	(8,020)
<b>At 31st December, 2004</b>	<b>64,385</b>	<b>12,426</b>	<b>235,163</b>	<b>25,150</b>	<b>9,992</b>	<b>103,367</b>	<b>450,483</b>
<b>DEPRECIATION</b>							
At 1st January, 2004	55,305	11,257	220,342	22,563	11,098	77,758	398,323
Exchange realignment	—	—	162	38	98	291	589
Provided for the year	422	851	4,312	627	490	3,014	9,716
Eliminated on disposals	—	(8)	(2,713)	(229)	(2,069)	(139)	(5,158)
<b>At 31st December, 2004</b>	<b>55,727</b>	<b>12,100</b>	<b>222,103</b>	<b>22,999</b>	<b>9,617</b>	<b>80,924</b>	<b>403,470</b>
<b>NET BOOK VALUES</b>							
<b>At 31st December, 2004</b>	<b>8,658</b>	<b>326</b>	<b>13,060</b>	<b>2,151</b>	<b>375</b>	<b>22,443</b>	<b>47,013</b>
At 31st December, 2003	9,080	1,195	17,421	2,033	1,685	18,442	49,856

# Notes to the Financial Statements

For the year ended 31st December, 2004

## 15. PROPERTY, PLANT AND EQUIPMENT (Continued)

The net book value of leasehold land and buildings shown above comprise:

	2004 HK\$'000	2003 HK\$'000
Medium-term leases in the PRC	8,658	9,080

The net book value of property, plant and equipment in respect of assets held under:

	2004 HK\$'000	2003 HK\$'000
Finance lease and sale and leaseback arrangement	86	376

## 16. GOODWILL/NEGATIVE GOODWILL

	Goodwill HK\$'000	Negative Goodwill HK\$'000
<b>COST</b>		
Addition during the year and balance at 31st December, 2004	37,622	(3,181)
<b>AMORTISATION/RELEASED TO INCOME</b>		
Charged for the year	1,672	—
Credited for the year	—	(3,181)
At 31st December, 2004	1,672	(3,181)
<b>CARRYING AMOUNT</b>		
Balance at 31st December, 2004	35,950	—

Goodwill is amortised using the straight-line method over its estimated useful life of fifteen years.



# Notes to the Financial Statements

For the year ended 31st December, 2004

## 17. INTERESTS IN SUBSIDIARIES

	The Company	
	2004	2003
	HK\$'000	HK\$'000
Unlisted shares, at cost	124,144	124,144
Amount due from a subsidiary	1,476,784	996,697
	<b>1,600,928</b>	<b>1,120,841</b>

The carrying amount of the unlisted shares is based on the book value of the underlying net tangible assets of the subsidiaries as at the date on which they were acquired by the Company at the time of the group reorganisation in 1992.

Amount due from a subsidiary is unsecured, interest free and has no fixed repayment terms. The Company will not demand the repayment of the amount within twelve months from the balance sheet date. Accordingly, the amount is shown as non-current assets.

Details of the Company's principal subsidiaries at 31st December, 2004 are set out in note 44.

## 18. INTERESTS IN ASSOCIATES

	The Group	
	2004	2003
	HK\$'000	(Restated) HK\$'000
Share of net assets of associates	2,237,355	2,065,930
Goodwill (note a)	9,129	9,658
Negative goodwill (note a)	(23,393)	—
	<b>2,223,091</b>	<b>2,075,588</b>

# Notes to the Financial Statements

For the year ended 31st December, 2004

## 18. INTERESTS IN ASSOCIATES (Continued)

Details of the associates of the Group as at 31st December, 2004 are as follows:

Name of associate	Form of business structure	Place of incorporation or registration/ operation	Proportion of nominal value of issued ordinary capital held indirectly by the Company %	Principal activities
Grand Plan Development Limited	Incorporated	Taiwan	25	Property development
Hong Kong Landfill Restoration Group Limited	Incorporated	Hong Kong	12.43 (note c)	Civil engineering
Kong On Waste Management Limited	Incorporated	Hong Kong	27.03 (note c)	Environmental and waste management
Oceanblue Holdings Limited	Incorporated	British Virgin Islands	40	Not yet commenced business
Road King Infrastructure Limited ("Road King")	Incorporated	Bermuda	44.985 (note b)	Investment in and the development, operation and management of toll highways and expressways
Supertime Holdings Limited	Incorporated	Hong Kong	50	Property development
Kier Hong Kong Limited	Incorporated	England/ Hong Kong	26.76 (note c)	Civil engineering

# Notes to the Financial Statements

For the year ended 31st December, 2004

## 18. INTERESTS IN ASSOCIATES (Continued)

Notes:

(a) Movements in the goodwill and negative goodwill included in interests in associates are as follows:

	The Group	
	Goodwill	Negative goodwill
	HK\$'000	HK\$'000
GROSS AMOUNT		
At 1st January, 2004	10,584	—
Arising on the additional acquisition of interest in associates	—	(33,091)
At 31st December, 2004	10,584	(33,091)
AMORTISATION/ RELEASED TO INCOME		
At 1st January, 2004	926	—
Charged (credited) for the year	529	(9,698)
At 31st December, 2004	1,455	(9,698)
CARRYING AMOUNT		
<b>At 31st December, 2004</b>	<b>9,129</b>	<b>(23,393)</b>
At 31st December, 2003	9,658	—

(b) Road King was incorporated in Bermuda with limited liability and is also a company listed on the Main Board of the Stock Exchange. Extracts from the published financial information of Road King are set out below.

Operating results:

	2004	2003
	(Audited)	(Audited)
	HK\$'000	(Restated) HK\$'000
Toll revenue	—	11,799
Minimum income undertakings	34,595	14,688
Sales of goods	107,504	92,857
Turnover	142,099	119,344
Profit from ordinary activities before taxation	407,079	370,534
Profit from ordinary activities before taxation attributable to the Group	186,535	160,259

# Notes to the Financial Statements

For the year ended 31st December, 2004

## 18. INTERESTS IN ASSOCIATES (Continued)

Notes: (Continued)

(b) (Continued)

Financial position:

	2004 (Audited) HK\$'000	2003 (Audited) (Restated) HK\$'000
Non-current assets	4,805,192	4,919,656
Current assets	2,199,023	935,510
Current liabilities	(195,334)	(97,561)
Non-current liabilities	(1,794,990)	(983,318)
Minority interests	(45,778)	(45,287)
Net assets	<u>4,968,113</u>	<u>4,729,000</u>
Net assets attributable to the Group	<u>2,234,914</u>	<u>2,061,314</u>

The market value of shares held in Road King at 31st December, 2004 amounted to HK\$1,423,809,000 (2003: HK\$1,527,713,000).

- (c) The Group holds the effective interests in the associates through Build King, the Company's 54.06% subsidiary whose shares are listed on the Main Board of the Stock Exchange.

## 19. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	The Group	
	2004 HK\$'000	2003 HK\$'000
Share of net assets of jointly controlled entities	50,312	8,322
Amount due from a jointly controlled entity	—	51,488
Unrealised gains of interest charged	—	(2,367)
Unrealised gains of construction contract	—	(45,706)
Share of net assets of jointly controlled entities	<u>50,312</u>	<u>11,737</u>

At 31st December, 2003, the amount due from a jointly controlled entity was unsecured and interest free.

# Notes to the Financial Statements

For the year ended 31st December, 2004

## 19. INTERESTS IN JOINTLY CONTROLLED ENTITIES (Continued)

At 31st December, 2004, the Group had interests in the following principal jointly controlled entities:

Name of jointly controlled entity	Form of business structure	Place of incorporation/ registration/ operation	Attributable interest to the Group %	Principal activities
Balfour Beatty-Zen Pacific Joint Venture	Unincorporated	Hong Kong	27.03 (notes a and c)	Civil engineering
China State-Zen Pacific Joint Venture	Unincorporated	Hong Kong	16.22 (note a)	Civil engineering
Dragages-Zen Pacific Joint Venture	Unincorporated	Hong Kong	13.52 (note a)	Civil engineering
Dragages (HK) Joint Venture	Unincorporated	Hong Kong	7.57 (notes a and b)	Civil engineering
E & M 404 Joint Venture	Unincorporated	Hong Kong	6.76 (notes a and b)	Civil engineering
Kier/Zen Pacific Joint Venture	Unincorporated	Hong Kong	27.03 (note a)	Civil engineering
Shanxi Jin-Ya Road and Bridge Construction Limited	Incorporated	PRC	27.57 (note a)	Road construction
Taiwan Track Partners Joint Venture	Unincorporated	Taiwan	4.32 (notes a and b)	Civil engineering
Taiwan Track Partners Rheda Joint Venture	Unincorporated	Taiwan	4.32 (notes a and b)	Civil engineering

The above table lists the jointly controlled entities of the Group which, in the opinion of the Directors, principally affect the results of 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.

# Notes to the Financial Statements

For the year ended 31st December, 2004

## 19. INTERESTS IN JOINTLY CONTROLLED ENTITIES (Continued)

Notes:

- (a) The Group holds the effective interests in the jointly controlled entities through Build King, the Company's 54.06% subsidiary whose shares are listed on the Main Board of the Stock Exchange.
- (b) The Group, through Build King, holds less than 20% interests in the entities. However, under the joint venture agreements, none of the joint venture partners have unilateral control over the jointly controlled entities. Therefore, these entities are classified as jointly controlled entities.
- (c) The following details have been extracted from the unaudited financial statements of the Group's significant jointly controlled entity, Balfour Beatty — Zen Pacific Joint Venture.

### Operating results:

	2004 HK\$'000	2003 HK\$'000
Turnover	176,816	461,529
Net profit for the year	154,781	75,644
Net profit for the year attributable to the Group	41,837	37,822

### Financial position:

	2004 HK\$'000	2003 HK\$'000
Non-current assets	—	1,057
Current assets	35,757	169,327
Current liabilities	(24,576)	(163,984)
Net assets	11,181	6,400
Net assets attributable to the Group	3,022	3,200

# Notes to the Financial Statements

For the year ended 31st December, 2004

## 20. INVESTMENTS

	The Group	
	2004	2003
	HK\$'000	HK\$'000
Unlisted equity securities		
Investment securities, at cost ( <i>note</i> )	29,102	29,102
Less: Impairment loss recognised	800	800
	<b>28,302</b>	<b>28,302</b>
Other investments, at fair values		
Equity securities:		
— Listed in Hong Kong	57,379	32
— Listed overseas	3,757	1,049
— Unlisted in Hong Kong	8,203	12,784
— Unlisted overseas	5,141	—
Other unlisted investments:		
— Debt securities	10,686	48
— Equity linked notes	8,548	—
— Statement gold	5,793	—
	<b>99,507</b>	<b>13,913</b>
<b>Total</b>	<b>127,809</b>	<b>42,215</b>
Market value of listed securities	61,136	1,081
Represented by:		
Non-current assets	28,302	28,302
Current assets	99,507	13,913
	<b>127,809</b>	<b>42,215</b>

*Note:* The amount includes a 6.25% equity investment amounting to HK\$28,302,000 in the registered capital of Shanghai Environment Investment Company Limited (“SEICL”), a company incorporated in the PRC. SEICL is an investment holding company whose investment targets are companies undertaking waste management projects in the PRC, including incinerators and landfill.

# Notes to the Financial Statements

For the year ended 31st December, 2004

## 21. LOANS RECEIVABLE

The maturity of the loans receivable is as follows:

	The Group	
	2004	2003
	HK\$'000	HK\$'000
Within one year	4,444	6,525
In the second to fifth year inclusive	42,690	45,054
	47,134	51,579
Less: Allowance	34,000	—
	13,134	51,579
Less: Amount receivable within one year shown under current assets	4,444	6,525
Amount receivable after one year	8,690	45,054

The amount represents advances to and the cost of construction work to be recoverable from the local government in Wanshan, the PRC, which will be settled by a waiver of royalty fees arising from the sale of quarry products from a quarry of the Group in the PRC.

The directors have considered the prospects of the construction industry and have reassessed the likelihood of the settlement of this loan receivable in full through the waiver of royalty fees arising from the sale of quarry products. Based on the anticipated sales of quarry products, the directors are of the opinion that the loans receivable will not be recoverable in full, and accordingly an allowance of HK\$34 million has been recognised in the income statement.

In the opinion of the Directors, a portion of these loans receivable amounting to HK\$4,444,000 (2003: HK\$6,525,000) will be settled within the next twelve months and accordingly the remaining balance of HK\$8,690,000 (2003: HK\$45,054,000) is shown under non-current assets.



# Notes to the Financial Statements

For the year ended 31st December, 2004

## 22. DEFERRED TAX ASSETS/LIABILITIES

The following are the deferred tax assets (liabilities) recognised by the Group and movements thereon during the year:

	Unrealised gains on construction contract HK\$'000	Accelerated tax depreciation HK\$'000	Total HK\$'000
At 1st January, 2003	8,000	(1,400)	6,600
Credit to income for the year (note 12)	—	1,531	1,531
Effect of change in tax rate credit to income (note 12)	—	(131)	(131)
At 31st December, 2003	8,000	—	8,000
Disposal during the year (note 7)	(8,000)	—	(8,000)
<b>At 31st December, 2004</b>	<b>—</b>	<b>—</b>	<b>—</b>

At the balance sheet date, the Group has unutilised tax losses carried forward to offset future profits, the utilisation of which will expire in the following years:

	2004 HK\$'000	2003 HK\$'000
Tax losses to expire in:		
2004	—	1,584
2005	6,172	24,172
2006	11,365	15,365
2007	6,330	18,114
2008	5,039	24,559
Carried forward indefinitely	140,212	155,079
	<b>169,118</b>	<b>238,873</b>

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

The Company did not have any significant deferred tax assets or liabilities for the year or at the balance sheet date.

# Notes to the Financial Statements

For the year ended 31st December, 2004

## 23. INVENTORIES

	The Group	
	2004	2003
	HK\$'000	HK\$'000
Raw materials	4,907	2,832
Work in progress	174	1,645
Consumables	4,771	8,494
Finished goods	11,369	3,863
	<hr/>	<hr/>
	21,221	16,834

Included above are work in progress of HK\$24,000 (2003: HK\$32,000), consumables of HK\$450,000 (2003: HK\$509,000) and finished goods of HK\$1,893,000 (2003: HK\$790,000) which are carried at net realisable values. Raw materials are carried at cost.

The cost of inventories recognised as an expense during the year is HK\$53,352,000 (2003: HK\$49,761,000).

## 24. AMOUNT DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK

	The Group	
	2004	2003
	HK\$'000	HK\$'000
Contracts in progress at balance sheet date:		
Contract costs incurred plus recognised profits less recognised losses	1,512,867	3,132,499
Less: Progress billings	1,492,555	3,097,624
	<hr/>	<hr/>
	20,312	34,875

Represented by:

Due from customers included in current assets	33,189	53,719
Due to customers included in current liabilities	(12,877)	(18,844)
	<hr/>	<hr/>
	20,312	34,875

# Notes to the Financial Statements

For the year ended 31st December, 2004

## 25. DEBTORS, DEPOSITS AND PREPAYMENTS

	The Group	
	2004 HK\$'000	2003 HK\$'000
Trade debtors (aged analysis):		
0 to 60 days	69,998	103,852
61 to 90 days	606	658
Over 90 days	925	295
	<hr/>	<hr/>
	71,529	104,805
Retentions receivable	17,575	58,627
Other debtors, deposits and prepayments	52,733	37,298
	<hr/>	<hr/>
	141,837	200,730

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

## 26. AMOUNTS DUE FROM ASSOCIATES

The amounts due from associates are unsecured and interest-free except for an amount of HK\$20,000,000 (2003: HK\$40,000,000) advanced to an associate (the "Associate") by a subsidiary of the Company (the "Subsidiary") which bears interest at prime rate.

The Associate agreed in writing that the Subsidiary has the right to set off the amount against any amount due to the Associate by the Subsidiary or any companies whose ultimate holding company is the Company. As at 31st December, 2004, HK\$8,484,000 (2003: HK\$34,619,000) of the amount was set off against the same amount due to the Associate.

# Notes to the Financial Statements

For the year ended 31st December, 2004

## 27. CREDITORS AND ACCRUED CHARGES

	The Group	
	2004	2003
	HK\$'000	HK\$'000
Trade creditors (aged analysis):		
0 to 60 days	18,630	39,696
61 to 90 days	4,108	2,129
Over 90 days	5,600	9,785
	28,338	51,610
Retentions payable	18,530	25,057
Accrued project costs	60,670	63,343
Other creditors and accrued charges	114,012	144,901
	221,550	284,911

Included in other creditors and accrued charges at 31st December, 2003 was an amount of HK\$70,000,000 which was the Group's outstanding obligations under the piling incident in late 1999. The amount was settled during the year.

## 28. AMOUNT DUE TO A RELATED COMPANY

### The Group and The Company

The related company is a subsidiary of one of the Company's substantial shareholders. The amount is unsecured, carries interest at prime rate and is repayable on demand.

# Notes to the Financial Statements

For the year ended 31st December, 2004

## 29. BANK LOANS

	The Group		The Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
The maturity of bank loans is as follows:				
Within one year	9,434	78,264	—	50,000
In the second year	11,600	40,000	—	40,000
In the third to fifth year inclusive	23,400	40,000	—	40,000
	44,434	158,264	—	130,000
Less: Amount due within one year shown under current liabilities	9,434	78,264	—	50,000
Amount due after one year	35,000	80,000	—	80,000
Secured	—	155,434	—	130,000
Unsecured	44,434	2,830	—	—
	44,434	158,264	—	130,000

## 30. OTHER BORROWINGS

Other borrowings comprise:

	The Group	
	2004 HK\$'000	2003 HK\$'000
Obligations under finance lease and sale and leaseback arrangement	273	521

# Notes to the Financial Statements

For the year ended 31st December, 2004

## 30. OTHER BORROWINGS (Continued)

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

	Minimum		Present value	
	lease payments		of minimum	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
THE GROUP				
Within one year	243	289	231	248
In the second year	18	243	16	231
In the third to fifth year inclusive	27	44	26	42
	<b>288</b>	<b>576</b>	<b>273</b>	<b>521</b>
Less: Future finance charges	15	55	—	—
Present value of lease obligations	<b>273</b>	<b>521</b>	<b>273</b>	<b>521</b>
Less: Amount due within one year shown under current liabilities			231	248
Amount due after one year			<b>42</b>	<b>273</b>

## 31. AMOUNTS DUE TO SUBSIDIARIES

The amounts are unsecured, interest free and have no fixed repayment terms. The subsidiaries have agreed not to demand repayment within twelve months from the balance sheet date and the balances are therefore shown as non-current liabilities.

## 32. AMOUNTS DUE TO ASSOCIATES

The amounts are unsecured, interest free and have no fixed repayment terms. The associates have agreed not to demand repayment within twelve months from the balance sheet date and the balances are therefore shown as non-current liabilities.

## 33. AMOUNTS DUE TO JOINTLY CONTROLLED ENTITIES

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

# Notes to the Financial Statements

For the year ended 31st December, 2004

## 34. SHARE CAPITAL

	Number of shares		Share capital	
	2004 '000	2003 '000	2004 HK\$'000	2003 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 of the year	785,249	777,124	78,525	77,712
Exercise of share options	7,875	8,125	787	813
At end of the year	793,124	785,249	79,312	78,525

## 35. SHARE OPTION SCHEME

The share option scheme of the Company adopted on 7th August, 1992 (the "Old Share Option Scheme") was terminated and a new share option scheme (the "New Share Option Scheme") was adopted by the Company at the annual general meeting held on 18th September, 2002 to comply with Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange. As a result, the Company may no longer grant further options under the Old Share Option Scheme. However, all options granted prior to the termination of the Old Share Option Scheme shall remain in full force and effect. During the year, 7,875,000 share options granted under the Old Share Option Scheme were exercised. At 31st December, 2004, no share options granted under the Old Share Option Scheme remained outstanding.

The purpose of the New 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 New 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 New 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 New 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.

# Notes to the Financial Statements

For the year ended 31st December, 2004

## 35. SHARE OPTION SCHEME (Continued)

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 New 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, no options were granted under the New Share Option Scheme.

The following tables disclose details of the Company's share options held by the employees (including directors) under the Old Share Option Scheme and movements in such holdings during the following specified years.

### Year ended 31st December, 2003:

Date granted	Exercisable period	Exercise price per share HK\$	Number of share options					Balance at 31.12.2003
			Balance at 1.1.2003	Granted during the year	Exercised during the year	Expired during the year	Cancelled during the year	
<b>Directors:</b>								
29th November, 2000	29th November, 2001 to 28th November, 2004	0.34	12,000,000	—	(6,000,000)	—	—	6,000,000
<b>Employees:</b>								
11th November, 1999	1st December, 2000 to 30th November, 2003	1.28	500,000	—	—	(450,000)	(50,000)	—
29th November, 2000	29th November, 2001 to 28th November, 2004	0.34	4,150,000	—	(2,125,000)	—	(150,000)	1,875,000
			16,650,000	—	(8,125,000)	(450,000)	(200,000)	7,875,000



# Notes to the Financial Statements

For the year ended 31st December, 2004

## 35. SHARE OPTION SCHEME (Continued)

Year ended 31st December, 2004:

Date granted	Exercisable period	Exercise price per share HK\$	Number of share options					Balance at 31.12.2004
			Balance at 1.1.2004	Granted during the year	Exercised during the year	Expired during the year	Cancelled during the year	
Directors:								
29th November, 2000	29th November, 2001 to 28th November, 2004	0.34	6,000,000	—	(6,000,000)	—	—	—
Employees:								
29th November, 2000	29th November, 2001 to 28th November, 2004	0.34	1,875,000	—	(1,875,000)	—	—	—
			7,875,000	—	(7,875,000)	—	—	—

During the year, the aggregate fair value at the date of issue of the Company's ordinary shares issued to the directors and employees who exercised the share options are HK\$11,427,000 (2003: HK\$5,627,000).

## 36. RESERVES

Details of the movements on the Group's share premium and reserves are set out in the consolidated statement of changes in equity on page 43.

The retained profits of the Group included HK\$836,142,000 (2003: HK\$714,467,000) profits retained by associates of the Group and HK\$30,248,000 profits retained (2003: HK\$59,816,000 losses accumulated) by its jointly controlled entities.

# Notes to the Financial Statements

For the year ended 31st December, 2004

## 36. RESERVES (Continued)

Details of the movements in the Company's reserves are as follows:

	Share premium <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st January, 2003	728,066	93,994	212,095	1,034,155
Exercise of share options	1,950	—	—	1,950
Profit for the year	—	—	35,291	35,291
Dividends paid	—	—	(31,351)	(31,351)
At 31st December, 2003	730,016	93,994	216,035	1,040,045
Exercise of share options	1,890	—	—	1,890
Profit for the year	—	—	501,940	501,940
Dividends paid	—	—	(198,211)	(198,211)
Distribution of assets (note 13)	—	—	(14,437)	(14,437)
<b>At 31st December, 2004</b>	<b>731,906</b>	<b>93,994</b>	<b>505,327</b>	<b>1,331,227</b>

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.

The contributed surplus of the Company represents the difference between the consolidated shareholders' funds of the subsidiaries at the date at which they were acquired by the Company, and the nominal amount of the Company's shares issued for the acquisition at the time of the group reorganisation in 1992.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of a company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- (a) it is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

# Notes to the Financial Statements

For the year ended 31st December, 2004

## 36. RESERVES (Continued)

In the opinion of the directors, the Company's reserves available for distribution to shareholders were as follows:

	2004 HK\$'000	2003 HK\$'000
Contributed surplus	93,994	93,994
Retained profits	505,327	216,035
	<b>599,321</b>	<b>310,029</b>

## 37. ACQUISITION OF SUBSIDIARIES

On 23rd April, 2004, Top Horizon Holdings Limited, a wholly-owned subsidiary of the Company, subscribed for 5,987,000,000 ordinary shares of HK\$0.01 each and 3,000,000,000 convertible preference shares of HK\$0.01 each of Build King. The consideration was satisfied by cash of HK\$29,870,000 and by injection of the Group's interest in Top Tactic Holding Limited ("Top Tactic") and its subsidiaries. Immediately followed by the completion of this transaction, the Group's interest in Top Tactic was reduced by 5.18% and the Group's interest in Build King is 94.54%. Net assets of Build King acquired on 23rd April, 2004 were as follows:

	HK\$'000
Property, plant and equipment	51
Debtors, deposits and prepayments	302
Creditors and accrued charges	(213)
	<b>140</b>
Goodwill (note 16)	37,622
Total consideration	<b>37,762</b>
Satisfied by:	
Cash (including expenses related to the acquisition)	35,633
Net assets of a subsidiary transferred to minority interests	2,129
	<b>37,762</b>

The subsidiaries acquired did not have significant contribution to the Group's turnover, profit and cash flow during the year.

# Notes to the Financial Statements

For the year ended 31st December, 2004

## 38. COMMITMENTS

### (a) Capital commitments

At 31st December, 2004, the Group committed capital expenditure in respect of the acquisition of property, plant and equipment as follows:

	2004 HK\$'000	2003 HK\$'000
Contracted for but not provided in the financial statements	23,705	—
Authorised but not contracted for	5,384	—
	<hr/>	<hr/>
	29,089	—

### (b) Joint venture commitments

At 31st December, 2004, the Group committed to invest approximately HK\$14,798,000 (2003: HK\$18,820,000) into several joint ventures established in the PRC. These joint ventures are principally engaged in civil engineering and production of construction materials in the PRC.

### (c) Operating lease commitments

#### *Lessor*

During the year, the Group earned income of HK\$141,000 (2003: HK\$144,000) from the lease of the Group's properties. The leased properties have committed the tenants for terms ranging from two to seven years.

At 31st December, 2004, the Group leased the Group's properties and contracted with tenants for the following future minimum lease payments:

	2004 HK\$'000	2003 HK\$'000
Within one year	141	141
In the second to fifth year inclusive	227	260
	<hr/>	<hr/>
	368	401

# Notes to the Financial Statements

For the year ended 31st December, 2004

## 38. COMMITMENTS (Continued)

### (c) Operating lease commitments (Continued)

#### Lessee

At 31st December, 2004, 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:

	2004 HK\$'000	2003 HK\$'000
Within one year	2,903	2,837
In the second to fifth year inclusive	757	1,080
	<hr/> 3,660	<hr/> 3,917

Operating lease payments represent rentals payable by the Group for certain of its office premises. Leases are negotiated for terms ranging from one to three years and rentals are fixed at the time of entering the respective leases.

At 31st December, 2004 and 2003, the Company did not have any significant commitments.

## 39. PLEDGE OF ASSETS

At 31st December, 2004, bank deposits amounting to HK\$19,038,000 (2003: HK\$54,494,000) of the Group were pledged to secure the banking facilities granted to the Group and jointly controlled entities.

At 31st December, 2003, 46,500,000 shares of Road King with a market value of HK\$279,000,000 were pledged as security for certain indemnities in favour of a substantial shareholder of one of the Company's substantial shareholders. In addition, 180,000,000 shares of Road King with a market value of HK\$1,080,000,000 were pledged to secure the banking facilities granted to the Group and an associate. These pledges were released during the year.

# Notes to the Financial Statements

For the year ended 31st December, 2004

## 40. CONTINGENT LIABILITIES

	The Group		The Company	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Guarantees given to financial institutions in respect of banking and other facilities granted to				
An associate	40,793	187,998	—	—
Subsidiaries and an associate	—	—	92,593	249,508
Guarantee given to a substantial shareholder of one of the Company's substantial shareholders in respect of banking facilities granted to a jointly controlled entity	—	1,050,000	—	1,050,000
Guarantees/counter indemnities given in respect of outstanding tender/performance/retention bonds for construction contracts	148,041	385,223	127,321	390,077

The extent of banking and other facilities utilised by an associate, subsidiaries and a jointly controlled entity at 31st December, 2004 amounted to HK\$28,225,000 (2003: HK\$1,020,257,000).

At 31st December, 2004 and 2003, the Company has also given guarantees to indemnify all liabilities for certain construction contracts undertaken by its subsidiaries.

At 31st December, 2003, the Company had given a guarantee amounting to HK\$80,000,000 to the Housing Authority ("HA") in respect of the performance of Zen Pacific Civil Contractors Limited ("ZPCCL"), a wholly owned subsidiary of Build King, of its obligations to pay HK\$80,000,000 to HA. During the year, the guarantee was released upon full settlement of the obligations to HA by ZPCCL.

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# Notes to the Financial Statements

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*For the year ended 31st December, 2004*

## 41. RETIREMENT BENEFITS SCHEME

The Group operates two MPF Schemes for all eligible employees in Hong Kong. These MPF Schemes are registered with the Mandatory Fund Schemes Authority ("MPFA") in accordance with the Mandatory Provident Fund Schemes Ordinance ("MPF Schemes Ordinance").

The assets of the MPF Schemes are held separately from those of the Group under the control of independent trustees approved by the MPFA.

In addition to the mandatory contributions specified under the MPF Schemes Ordinance, the Group provides additional contributions for certain qualifying employees as specified in the rules of the Group's MPF Schemes. Employees leaving the MPF Schemes prior to stipulated service periods may forfeit part of their benefits relating to the Group's voluntary contributions and these amounts may be applied to reduce future voluntary contributions payable by the Group.

The amount charged to the consolidated income statement represents contributions payable to the retirement benefit schemes by the Group at the rates specified in the rules of the MPF Schemes reduced by the aforesaid amount of forfeited benefits.

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

## 42. STAFF SHARE PURCHASING SCHEME

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

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

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

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

During the year, the Purchase Rights for acquisition of 2,000,000 New Build King Shares lapsed due to the departure of relevant staff. Out of the remaining Purchase Rights for acquisition of 104,316,000 New Build King Shares accepted by the Eligible Participants, 24,866,000 New Build King Shares were delivered to the Eligible Participants before 31st December, 2004, and the remaining 79,450,000 New Build King Shares will be delivered to the Eligible Participants upon their full payment of the purchase price for these shares as per the terms and conditions stipulated under the Staff Share Purchasing Scheme.



# Notes to the Financial Statements

For the year ended 31st December, 2004

## 43. RELATED PARTY TRANSACTIONS

	Notes	Associates		Jointly controlled entities		Related company	
		2004	2003	2004	2003	2004	2003
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Consultancy fee paid	a	717	8,339	—	—	—	—
Sales of project scrap	a	—	2,396	—	—	—	—
Management fee income	a	—	—	8,094	—	—	—
Interest income	b	1,292	2,333	—	—	—	—
Amounts due from related parties		14,809	12,322	2,964	62,049	—	—
Amounts due to related parties		33,191	33,163	32,340	38,467	11,178	20,980

The related company is a subsidiary of one of the Company's substantial shareholders.

Notes:

- (a) The transactions were charged at the terms determined and agreed by both parties.
- (b) Interest income was calculated at HIBOR as quoted by a financial institution.

# Notes to the Financial Statements

For the year ended 31st December, 2004

## 44. PRINCIPAL SUBSIDIARIES

Name of subsidiary	Place of incorporation or registration/operation	Issued and fully paid ordinary share capital/registered capital*	Proportion of nominal value of issued capital/attributable interest held by the Group %	Principal activities
Build King Holdings Limited ( <i>note a</i> )	Bermuda	HK\$78,140,849	54.06	Investment holding, engaged in civil engineering works
Hsin Lung Construction Company Limited	Taiwan	NTD175,000,000	54.06	Civil engineering
Leader Civil Engineering Corporation Limited	Hong Kong	HK\$25,200,000 Ordinary shares HK\$24,000,000 Non-voting deferred shares	54.06 54.06	Civil engineering
Leader Marine Contractors Limited	Hong Kong	HK\$200,000	54.06	Marine engineering and provision of transportation services
Shengsi Dayangshan Quarry Co., Ltd. ( <i>note c</i> )	PRC	US\$5,100,000*	100	Production of construction materials
Wai Hing Quarries (China) Limited	Hong Kong	HK\$2 Ordinary shares HK\$1,200,000 Non-voting deferred shares	100 100	Production of construction materials

# Notes to the Financial Statements

For the year ended 31st December, 2004

## 44. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation or registration/ operation	Issued and fully paid ordinary share capital/registered capital*	Proportion of nominal value of issued capital/ attributable interest held by the Group %	Principal activities
Wai Kee Biotechnical Company Limited	British Virgin Islands	US\$1	100	Investment holding
Wai Kee Quarry Asia Limited	Hong Kong	HK\$2	100	Investment holding
Wai Kee (Zens) Construction & Transportation Company Limited	Hong Kong	HK\$2 Ordinary shares HK\$14,800,000 Non-voting deferred shares HK\$5,200,000 Non-voting deferred shares (note b)	54.06 54.06 —	Civil engineering
Wai Kee (Zens) Holding Limited	British Virgin Islands	US\$50,000	100	Investment holding
Wuhan Nature's Favour Bioengineering Company Limited	PRC	RMB7,500,000*	82	Bio-technology
Zhuhai Guishan Seawall Construction Company (note d)	PRC	HK\$21,000,000*	80	Seawall construction and production of construction materials

## 44. PRINCIPAL SUBSIDIARIES (Continued)

Notes:

- (a) The company's shares are listed on the Main Board of the Stock Exchange.
- (b) These deferred shares, which are not held by the Group, practically carry minimal rights to dividends and no rights to receive notice of or to attend or vote at any general meeting of respective companies. On winding up, the holders of the deferred shares are entitled to a distribution out of the remaining assets of the respective companies only after the distribution of substantial amounts as specified in the Articles of Associations to holders of ordinary shares of the respective companies.
- (c) The company is a foreign wholly-owned enterprise registered in the PRC.
- (d) The company is a co-operative joint venture registered in the PRC.

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

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

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