1. GENERAL

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

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

The Company acts as an investment holding company. The principal activities of its principal subsidiaries, associates and jointly controlled entities are set out in notes 55, 24 and 25 respectively.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

At 31st December, 2007, the Group has net current liabilities of HK$44,690,000. Taking into account of the financial resources available to the Group, including internally generated funds and the available banking facilities, the directors of the Company are of the view that the Group has sufficient working capital for its present requirements for the next twelve months from the balance sheet date. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

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

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

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

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

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

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

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

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HK(IFRIC) — Int 11	HKFRS 2: Group and Treasury Share Transactions[3]
HK(IFRIC) — Int 12	Service Concession Arrangements[4]
HK(IFRIC) — Int 13	Customer Loyalty Programmes[5]
HK(IFRIC) — Int 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[4]

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

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

4. SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of consolidation

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations

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

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

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

Goodwill

Goodwill arising on acquisitions prior to 1st January, 2005

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill *(Continued)*

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

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

Construction contract

When the outcome of a construction contract can be estimated reliably, revenue from fixed price construction contracts is recognised on the percentage of completion method, measured by reference to the value of work performed during the year. Variations in contract work, claims, and incentive payments are included to the extent that they have been agreed with the customer.

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

Others

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

Service income is recognised when services are provided.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

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

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

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

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

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

Intangible assets acquired in a business combination

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Jointly controlled entities

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

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

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

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

Inventories

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Construction contracts

Where the outcome of a construction contract can be estimated reliably, contract costs are recognised in the consolidated income statement by reference to the stage of completion of the contract activity at the balance sheet date on the same basis as the contract revenue recognised. When it is probable that the total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

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

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

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

Financial instruments

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets

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

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

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

A financial asset is classified as held for trading if:

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

— *Loans and receivables*

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

— *Available-for-sale financial assets*

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

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

Effective interest method

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Impairment of financial assets

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Impairment of financial assets *(Continued)*

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

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

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

Financial liabilities and equity instruments

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity *(Continued)*

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

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

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

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

— *Other financial liabilities*

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

— *Equity instruments*

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Effective interest method

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

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

Derivative financial instruments

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

Embedded derivatives

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

Derecognition

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derecognition *(Continued)*

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

Leasing

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

The Group as lessor

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

The Group as lessee

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing *(Continued)*

Leasehold land and buildings

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

Borrowing costs

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

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

Foreign currencies

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

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

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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

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

Retirement benefit schemes contributions

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

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

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. In addition, intangible assets with indefinite useful lives are tested for impairment annually, and whenever there is an indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payment transactions

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

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

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

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

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

Recoverability of intangible assets arising from the acquisition of a subsidiary

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

Estimated impairment of goodwill

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

Income tax

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

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

Construction contracts

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

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

6. GROUP REVENUE

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

7. BUSINESS AND GEOGRAPHICAL SEGMENTS

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

(a) Business segments

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

Civil construction
— construction of civil engineering projects

Quarrying
— production and sale of quarry products

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

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

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

7. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

(a) Business segments *(Continued)*

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

Inter-segment sales are charged at prevailing market rates.

	Civil construction HK$'000	Quarrying HK$'000	Bio-technology HK$'000	Property development HK$'000	Highway and expressway operations HK$'000	Others HK$'000	Elimination HK$'000	Total HK$'000
Results								
Segment results	(35,132)	4,104	(19,339)	–	–	8,550		(41,817)
Investment income, gains and losses								49,264
Unallocated net expenses								(21,190)
Finance costs								(21,657)
Share of results of associates	134	–	–	150,725	178,334	(9,319)		319,874
Share of results of jointly controlled entities	29,045	–	–	–	–	–		29,045
Net gain on deemed disposals of partial interest in an associate								23,159
Profit before tax								336,678
Income tax expense								(6,834)
Profit for the year								329,844

7. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

(a) Business segments *(Continued)*

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

7. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

(a) Business segments *(Continued)*

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

7. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

(a) Business segments *(Continued)*

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

7. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

(b) Geographical segments

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

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

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

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

8. OTHER INCOME

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

9. INVESTMENT INCOME, GAINS AND LOSSES

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

10. FINANCE COSTS

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

11. DISCOUNT ON ACQUISITION OF ADDITIONAL INTEREST IN AN ASSOCIATE

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

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

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

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

13. PROFIT BEFORE TAX

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

14. DIRECTORS' REMUNERATION

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

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

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

14. DIRECTORS' REMUNERATION *(Continued)*

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

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

14. DIRECTORS' REMUNERATION *(Continued)*

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

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

15. EMPLOYEES' EMOLUMENTS

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

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

The emoluments were within the following bands:

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

16. INCOME TAX EXPENSE

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

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

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

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

16. INCOME TAX EXPENSE *(Continued)*

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

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

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

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

17. DIVIDENDS

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

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

18. EARNINGS PER SHARE

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

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

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

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

19. PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

Buildings	Over the shorter of the term of leases or 20-30 years
Leasehold improvements	$33^1/_3$% or over the terms of the relevant leases, whichever is shorter
Plant and machinery	10% — 25%
Furniture, fixtures and equipment	25%
Motor vehicles	25%
Vessels	10% — 15%

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

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

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

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

20. PREPAID LEASE PAYMENTS ON LAND USE RIGHTS

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

21. INTANGIBLE ASSETS

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

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

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

22. GOODWILL

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

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

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

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

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

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

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

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

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

Notes:

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

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

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

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

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

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

Notes:

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

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

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

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

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

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

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

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

Notes: (Continued)

(c) *(Continued)*

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

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

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

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

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

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

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

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

Operating results:

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

Financial position:

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

25. INTERESTS IN JOINTLY CONTROLLED ENTITIES

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

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

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

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

Notes:

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

b. The Group holds less than 20% interests in these entities through Build King. However, under the joint venture agreements, the entities are jointly controlled by the Group and the other significant joint venture partners. Therefore, these entities are classified as jointly controlled entities.

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

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

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

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

Share of results attributable to the Group:

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

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

Share of assets and liabilities attributable to the Group:

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

26. AVAILABLE-FOR-SALE INVESTMENTS

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

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

27. PREPAID ROYALTIES

Prepaid royalties are analysed as follows:

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

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

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

28. FINANCE LEASE RECEIVABLES

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

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

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

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

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

29. INVENTORIES

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

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

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

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

31. DEBTORS, DEPOSITS AND PREPAYMENTS

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

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

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

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

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

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

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

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

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

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

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

Ageing of debtors past due but not impaired

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

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

Movement in the allowance for doubtful debts

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

32. AMOUNTS DUE FROM ASSOCIATES/JOINTLY CONTROLLED ENTITIES

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

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

33. HELD-FOR-TRADING INVESTMENTS

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

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

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

34. PLEDGED BANK DEPOSITS, BANK BALANCES AND BANK OVERDRAFTS

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

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

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

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

35. CREDITORS AND ACCRUED CHARGES

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

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

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

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

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

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

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

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

37. OTHER BORROWINGS

Other borrowings comprises:

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

37. OTHER BORROWINGS *(Continued)*

Notes:

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

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

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

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

38. BANK LOANS

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

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

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

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

39. STRUCTURED BORROWING

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

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

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

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

Where:

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

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

39. STRUCTURED BORROWING *(Continued)*

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

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

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

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

40. DEFERRED TAX LIABILITIES

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

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

40. DEFERRED TAX LIABILITIES *(Continued)*

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

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

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

41. LOAN FROM A SHAREHOLDER

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

42. LOANS FROM MINORITY SHAREHOLDERS

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

43. AMOUNT DUE TO AN ASSOCIATE

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

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

44. AMOUNTS DUE TO JOINTLY CONTROLLED ENTITIES

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

45. SHARE CAPITAL

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

46. CAPITAL RISK MANAGEMENT

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

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

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

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

47. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

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

Structured borrowing (note)

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

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

47. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies

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

Market risk

(i) Currency risk

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

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

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

47. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk *(Continued)*

(i) Currency risk (Continued)

Sensitivity analysis

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

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

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

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

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

47. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk *(Continued)*

(ii) Interest rate risk

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

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

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

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

Sensitivity analysis

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

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

47. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk *(Continued)*

(ii) Interest rate risk (Continued)

Sensitivity analysis *(Continued)*

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

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

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

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

47. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk *(Continued)*

(iii) Other price risk

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

Other price sensitivity analysis

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

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

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

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

47. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk

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

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

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

47. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk

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

Liquidity and interest risk tables

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

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

47. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk *(Continued)*

Liquidity and interest risk tables (Continued)

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

(c) Fair value

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

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and ask prices respectively;
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using the relevant prevailing market rate; and
- the fair value of financial liabilities at fair value through profit or loss is estimated with reference to the value quoted by the bank.

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

48. SHARE OPTION SCHEME

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

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

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

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

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

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

48. SHARE OPTION SCHEME *(Continued)*

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

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

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

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

48. SHARE OPTION SCHEME *(Continued)*

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

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

49. COMMITMENTS

(a) Joint venture commitments

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

49. COMMITMENTS *(Continued)*

(b) Operating lease commitments

Lessor

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

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

Lessee

At 31st December, 2007, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases in respect of land and buildings which fall due as follows:

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

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

50. TENDER/PERFORMANCE/RETENTION BONDS

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

51. MAJOR NON-CASH TRANSACTION

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

52. RETIREMENT BENEFITS SCHEMES

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

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

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

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

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

53. STAFF SHARE PURCHASING SCHEME

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

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

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

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

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

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

54. RELATED PARTY TRANSACTIONS

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

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

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

Compensation of key management personnel

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

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

55. PRINCIPAL SUBSIDIARIES

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

55. PRINCIPAL SUBSIDIARIES *(Continued)*

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

Notes:

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

(b) These deferred shares, which are not held by the Group, practically carry minimal rights to dividends and no rights to receive notice of or to attend or vote at any general meeting of such company. On winding up, the holders of the deferred shares are entitled to a distribution out of the remaining assets of such company only after the distribution of substantial amounts as specified in the Articles of Associations to holders of ordinary shares of such company.

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

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

55. PRINCIPAL SUBSIDIARIES *(Continued)*

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

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

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

56. SUMMARISED BALANCE SHEET OF THE COMPANY

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