Zen Wei Pao, William
Chairman

Dear shareholders,

The board of directors (the "Board") of the Company announces that the Group's audited revenue for the year ended 31st December, 2007 was HK$873 million (2006: HK$678 million) generating an audited consolidated profit attributable to equity holders of HK$326 million (2006: HK$263 million), an increase of 24% as compared with that of year 2006. If including revenue of jointly controlled entities shared by the Group, the Group's revenue for the year was HK$1,360 million (2006: HK$1,062 million).

At the forthcoming Annual General Meeting to be held on 26th May, 2008, the Board will recommend the payment of a final dividend of HK6 cents (2006: HK6 cents) per share.

BUSINESS REVIEW

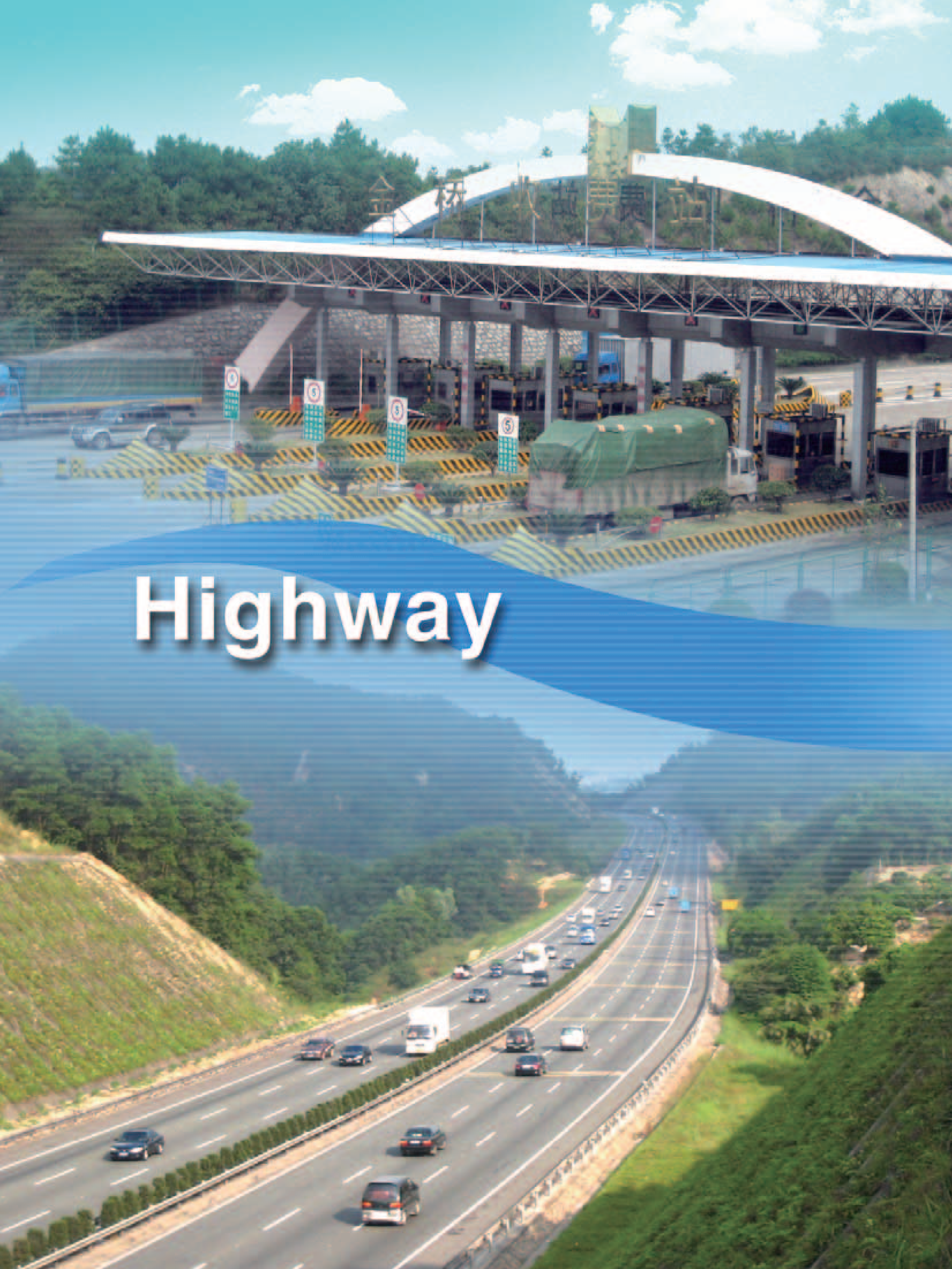
Highway and Expressway Operations and Property Development

Road King Infrastructure Limited ("Road King"), an associate of the Group, contributed profit of HK$343 million to the Group for the year ended 31st December, 2007 (2006: HK$340 million), of which HK$191 million was from its highway and expressway operations and HK$152 million was from its property development. During the year, Road King issued new shares by placing to various investors and upon exercise of options granted to its directors and employees under the share option scheme of Road King. As a result of the dilution effect on the Group's interest in Road King, the Group recorded a total net gain on deemed disposals of partial interest in Road King of HK$23 million (2006: HK$36 million). Though the Group acquired some additional interests in Road King during the year, the interest of the Group in Road King was still reduced in net effect by 2.3% to 37.6% at the balance sheet date.

With respect to the property development, in addition to the contribution from Road King, the profit contributed from Sunco Property Holdings Company Limited ("Sunco Property") for the year was HK$9 million subsequent to the completion of the acquisition of Sunco Property in early 2007. At the balance sheet date, the Group directly held 5.28% interest in Sunco Property in addition to the effective interest of 33.3% held through Road King.

For the year ended 31st December, 2007, Road King recorded an audited profit attributable to equity holders of HK$851 million (2006: HK$705 million), an increase of 21% as compared with that of 2006.

Highway



BUSINESS REVIEW *(Continued)*

Highway and Expressway Operations and Property Development *(Continued)*

For the year, traffic volume and revenue of the toll road projects were 130 million vehicles and RMB2.3 billion respectively. Compared with those in 2006 (reduced by the traffic volume and revenue of the disposed project), 11% and 16% rises were achieved.

Benefited from the economic growth in China, Road King's expressway continued to perform well in 2007. Revenue and cashflow generated from the expressway projects accounted for 67% and 65% respectively of Road King's toll revenue and cashflow. In 2007, Road King had disposed of 25% of the equity interest in three Class II highways, of which Road King owned 60% equity interest prior to the disposal. In addition, a framework agreement has been signed to dispose of certain interests and assets in two highways respectively in Guangxi Zhuang Autonomous Region. It is expected the transaction to be completed in 2009. These disposals are in line with Road King's strategy to dispose of Class I/II highway projects to enhance investment returns.

Road King did not commit any investment in new expressway project in 2007 due to the uncertainties in the regulatory approval procedures. However, it is still evaluating and negotiating several new expressway projects. Upon the clarification of the procedures, Road King will consider to materialise new investments.

The revenue generated from property development business surged substantially from HK$506 million in 2006 to HK$2,408 million in 2007 and the total contracted sales and pre-sales of properties in 2007 amounted to about 444,000 sq. m. in aggregate.

In 2007, seven wholly-owned property development projects had achieved satisfactory progress. The selling price of the projects in Guangzhou far exceeded the original expectation. The Changzhou projects were well perceived by the locals; and operation of Phoenix City in Suzhou had gradually been integrated into Road King's stringent management systems and thus improving its development.

Road King completed the acquisition of 49% equity interest in Sunco Property in January 2007. In July 2007, Road King increased its shareholding in Sunco Property to 88.5%. The procedural steps of the acquisition of Sunco Property have caused certain commercial disputes. Road King is currently undertaking legal actions to obtain the management control of its two projects in Tianjin held under Sunco Property. It has also filed a writ against the former major shareholders of Sunco Property ("Former Sunco Major Shareholders") in relation to their failure to disclose certain hidden liabilities and payment obligations. Subsequent to commencement of Road King's legal proceedings against the Former Sunco Major Shareholders, they had issued a writ against Road King disputing the procedures for acquisition of certain projects which Road King considers groundless.

Properties

BUSINESS REVIEW *(Continued)*

Highway and Expressway Operations and Property Development *(Continued)*

In November 2007, Road King announced that it had submitted to The Stock Exchange of Hong Kong Limited (the "Stock Exchange") a proposal to spin-off its property development business. Currently, Road King is in discussion with the Stock Exchange in respect of the spin-off proposal. Road King will follow up closely and assess the impact on the financial markets caused by the sub-prime mortgage crisis on the spin-off proposal.

The toll road and the property businesses both leverage on Road King's experience and relationship in China and are complementary in characteristics, thus helping Road King to diversify the operating risk.

The toll road business brings stable cash inflow to Road King and serves as a robust source of profit. Road King will continue to explore opportunities to divest its Class I/II highway portfolio to maximize the value of the toll road business while continuing to identify new expressway projects.

Road King's property business will focus on resolving the legacy issues of the acquired projects and consolidating the management team. It also plans to impose stringent construction and sales programs, improve management and control systems, and look for new development opportunities.

Civil Construction

The Group's construction sector, Build King Holdings Limited ("Build King") registered revenue and share of revenue of jointly controlled entities of HK$1,286 million (2006: HK$989 million) and profit attributable to equity holders of HK$11 million (2006: HK$7 million) for the year ended 31st December, 2007, of which the Group's share was HK$6 million (2006: HK$4 million). The operating loss of HK$22 million was recorded by Build King before set-off by the net contribution (net of tax) from the investment in local listed shares of HK$33 million. As of the date of this report, the Group owns 55.58% interest in Build King.

During 2007, the construction of veterinary hospital at Ocean Park was well progressed and expected to be completed in first quarter of 2009. A building project in Tung Chung for a private developer commenced in mid 2007 and is now at full speed. In addition, two more projects of a total value over HK$100 million were secured in second half of 2007. Two new medium sized contracts, one for the former Kowloon-Canton Railway Corporation ("KCRC") at Hung Hom station and another, a pedestrian subway construction project, for private developers were well progressed. Build King also successfully bided two school building projects for Architectural Services Department, road and bridge work at Tuen Mun for Civil Engineering and Development Department and a noise barrier project on Tsing Tsuen Bridge for Highways Department.


Construction

BUSINESS REVIEW *(Continued)*

Civil Construction *(Continued)*

Amongst the projects awarded in previous years, Phase 1 development of Ecopark at Tuen Mun was completed satisfactorily and waiting for commencement of Phase 2 in early 2009; Pak Shek Kok civil works was substantially completed. Following the successful completion of the aircraft hangar project for Hong Kong Aircraft Engineering Company Limited (HAECO) in 2006, Build King completed the second hanger in 2007 for Hong Kong Business Aviation Centre Limited. The major refurbishment project at Hung Hom Bay was also approaching completion.

Following the merger of KCRC and MTR Corporation Limited and Chief Executive's proposal for new major railway projects, Build King is optimistic in the long term civil engineering market. Based on its track record and experience in major infrastructure works, Build King is confident that it could benefit from this long awaited wave of major projects. However, it is likely to take another twelve to eighteen months for construction work to commence and to see any significant progress.

In 2007, Build King's performance in China market segment was below expectation. Three site formation projects were all substantially completed in 2007. Its 49% stake joint venture, China Railway Tenth Group Third Engineering Co., Ltd. ("CRTE") had secured a new RMB40 million project of the construction of Services Areas for a new highway in Anhui Province. Due to the exceptionally bad weather in the winter of 2007, the current projects experienced varying degree of delay and CRTE is now taking measures to catch up with the delay.

On the environment sector, Wuxi Qianhui Sewage Treatment Plant was formally put into operation at the beginning of 2007; and the effluent consistently met with the statutory requirements. Though the volume of the sewage flowing into the plant in the first half of 2007 was considerably lower than the projected, the situation had improved significantly in the last quarter. There is no financial impact to Build King due to the guaranteed minimum payments being honoured by the local government. The new national discharge standards to be implemented in May 2008 will require some modifications to the plant. Build King expects that it will be able to recoup the additional costs of this upgrading.

On the building operations, the joint venture formed between Build King and Road King in Changzhou has completed and handed over Phase 1A of the residential development in Changzhou in November 2007 and the joint venture is pushing the remaining works to be completed before mid 2008.

There is a huge market potential in China, Build King is taking a positive but cautious step in revisiting its China strategy. Build King will continue to provide quality services to those clients seeking value-added solutions in both the civil and building sectors.


Quarry

BUSINESS REVIEW *(Continued)*

Civil Construction *(Continued)*

In the Middle East, the enquiry levels are high and there are a number of opportunities in the pipeline. On the construction projects, the Taweelah Power Plant intake structure was completed during the year and two new projects were secured. Currently, several tenders are outstanding and Build King believes that further successes are imminent. Opportunities for civil engineering works have yet to be crystallized but this will be an important objective to achieve in 2008. On the plant-chartering sector, the application for ship classification status is progressing very well. During 2007, the utilization of the vessels was ahead of last year. In order to meet the projects requirement, five more vessels will be mobilized from Hong Kong to the United Arab Emirates soon.

In Taiwan, Build King continued to adopt a cautious approach to the local market. In 2007, it successfully secured a government project of contract value of HK$110 million.

As of the date of this report, Build King had contracts on hand of about HK$5,338 million, of which about HK$1,707 million has yet to be completed.

Quarrying

The revenue of quarrying division for the year ended 31st December, 2007 was HK$29 million (2006: HK$43 million). This quarrying division recorded a nominal profit of HK$4 million for the year (2006: HK$13 million).

The total tonnage of quarry material sold in 2007 was 720,000 tons, a decrease of 32% compared with that of 2006. This is the lowest figure since the Group listed and is going to demonstrate how desperate a situation the construction industry is in and the construction material market is hit likewise.

As explained in the above section, despite Government's announcement of substantially increasing investment into infrastructure, there is no sign of any meaningful improvement in the construction market in 2008, but second half of 2009 will be a different matter. So let's hope the Group is about to see the end of the tunnel. In the meanwhile, the division needs to keep costs low (difficult in view of the rising oil price), and waits for market recovery. As always, should the operating environment improves or should right opportunities come along, the Group will not hesitate to make new investment, provided that it is certain of the long term prospect of the business.

Bio-Technology

BUSINESS REVIEW *(Continued)*

Bio-technology

The revenue of the bio-technology division for the year ended 31st December 2007 was HK$35 million (2006: HK$23 million). The division recorded a loss of HK$22 million for the year (2006: loss of HK$35 million, included a HK$15 million provision for fixed assets). The loss recorded this year included a HK$9 million provision for the fixed assets of the Hanchuan plant, the production operation of which is scheduled to be restructured in 2008.

In 2007, the bio-technology division has consolidated its business operation. Though the division continued to record an operating loss during 2007, the division recorded improvement both in production operation and sales. With strict quality control, the amount of returned goods was substantially reduced. The cash flow of the division had also recorded improvement. Notwithstanding the increased sales, the division managed to tighten the cash flow control and to reduce the account receivable cycle. The amount of bad debt provision was significantly reduced due to a tightened credit policy. The new local management team recruited in late 2006 and in early 2007 has deployed significant resources to develop sales in various provinces in China. During the year, the division had successfully developed close relationship with several major customers.

In order to further consolidate the bio-technology division, the Board has decided to restructure the production plant situated in the Hanchuan industrial area. Some of the existing production facilities in the plant will be relocated to the existing Guannan plant in Wuhan. The restructuring and relocation will allow the division to concentrate its effort in higher profit margin products and to centralize its production for efficient operation. As a result of the restructuring and relocation, the Board has decided to make a HK$9 million provision in respect of the fixed assets of the Hanchuan plant.

In 2008, the division will further its effort to increase the gross profit margin of its products. In the meantime, the division will implement further measures to control the production and operating cost. With the higher quality products, a stronger sales team and a better customer base established in 2007 coupled with continued tight cost control measures and cash flow management, it is expected that the division will achieve a better result in 2008.

North American Ginseng ("NAG")

In 2007, Chai-Na-Ta Corp. ("CNT"), an associate of the Group in Canada, continued to report a net loss of C$3.3 million (2006: C$9.5 million) or C$0.10 basic loss per share (2006: C$0.27 basic loss per share). The Group holds 38.1% interest in CNT (inherited as a result of divest distribution of CNT shares by Road King in 2006) and thus shared a loss of HK$9 million for the year ended 31st December, 2007 (2006: HK$17 million).

BUSINESS REVIEW *(Continued)*

North American Ginseng ("NAG") *(Continued)*

The ginseng harvest in 2007 was about 919,000 lbs (2006: 800,000 lbs), representing about 15% of total world production of NAG. Over 95% of NAG was sold to China market. As explained last year, in growing NAG, the three most important metric to look at are the selling price, yield per acre and the percentage of rust for each year's harvest. The selling price is entirely market dependent. In 2007, the average selling price is around C$8/lb (2006: C$6/lb). Although the figure shows an improvement, this is still way above the production cost of C$12/lb due to the low yield of 2,767 lbs/acre (2006: 2,576 lbs/acre), and the high percentage of rust of 30% (2006: 31%), which is the highest amongst all NAG given. Unfortunately, ginseng once planted, takes four years to grow full size, and any remedy action could only be really effective on the newly planted and hence will take four years for the improved result to be observed.

Since the current management took over, there is a gradual improvement in both the yield per acre and the percentage of rust. Although CNT might not have the huge loss (as previous year) from 2008 onwards, it is expected that the bottom line to be negative almost certainly in 2008 and 2009. Returning to profitability, if it happens, will likely be in 2010 or even 2011.

As NAG growing is a commodity type business, the Group does not intend to put any extra financial resources into this operation, and will put CNT on observation list. If it cannot stand on its feet after the current measure of improvement are introduced, then the Group will have no option but to divest. However, at present, the Board believes there is a good chance that CNT will survive on its own.

FINANCIAL REVIEW

Liquidity and Financial Resources

During the year, funds of about HK$115 million were used to increase interest in Road King, which is classified under non-current assets.

As at 31st December, 2007, the Group had net current liabilities of HK$45 million. However, taking into account of the financial resources available to the Group, including internally generated funds and the available banking facilities, the Group has sufficient working capital for its present requirements.

During the year, total borrowings were increased from HK$325 million to HK$443 million with the maturity profile summarised as follows:

	As at 31st December,	
	2007	2006
	HK$'millon	*HK$'millon*
Within one year	**335**	195
In the second year	**17**	49
In the third to fifth year inclusive	**91**	81
	443	325

FINANCIAL REVIEW *(Continued)*

Liquidity and Financial Resources *(Continued)*

(a) In respect of bank loans with carrying amounts of HK$55 million as at 31st December, 2007, Build King breached certain terms of the bank loans, which are primarily related to its debt-equity ratio. Although Build King has subsequently obtained written consent from the banks of these bank loans to waive their rights to demand immediate repayment, the non-current portion of the bank loans amounting to HK$32 million have been classified as current liabilities since the banks have not agreed to waive their right to demand immediate payment as at the balance sheet date.

(b) Included a contract of structured borrowing with a bank of HK$54 million (2006: HK$73 million) that was designated as at fair value through profit or loss upon initial recognition and is measured at fair value with reference to the value quoted by the bank 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 million (2006: HK$11 million). Decrease in its fair value of HK$7 million during the year has been credited to the consolidated income statement. The structured borrowing is denominated in United States dollars.

(c) Included a margin loan of HK$22 million (2006: nil) secured by certain shares of Road King.

Other than the fixed rate borrowings of approximately HK$0.6 million carrying interest ranging from 8.52% to 9.39%, the remaining bank loans are variable-rate borrowings carrying interest ranging from 4.55% to 7.90%.

As at 31st December, 2007, the Group's cash and bank balances amounted to HK$88 million (2006: HK$105 million), of which bank deposits amounting to HK$2 million (2006: HK$7 million) 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 Group recorded finance expenses for the year ended 31st December, 2007 of HK$22 million (2006: HK$11 million).

As at 31st December, 2007, a portfolio of held-for-trading investments were stated at their fair values in a total amount of HK$123 million (2006: HK$102 million), majority of which were equity securities listed in Hong Kong. Certain equity securities with market value of HK$41 million (2006: HK$42 million) were pledged to a bank to secure general banking facilities granted to the Group. For the year ended 31st December, 2007, the Group recorded a net gain (increase in their fair value plus dividend income received) of HK$52 million (2006: HK$40 million) from these investments, of which HK$40 million (2006: HK$39 million) contributed from the securities invested by Build King.

FINANCIAL REVIEW *(Continued)*

Liquidity and Financial Resources *(Continued)*

The Group's borrowings, investments and cash balances were principally denominated in Hong Kong dollars, Renminbi and United States dollars. Despite the continuous appreciation of Renminbi, the exposure of foreign exchange rate fluctuations to the Group is not significant.

Capital Structure and Gearing Ratio

As at 31st December, 2007, the equity attributable to equity holders amounted to HK$3,249 million, representing HK$4.10 per share (2006: HK$2,833 million, representing HK$3.57 per share). Increase in equity attributable to equity holders was mainly attributable to the profit generated in the year after deduction of dividends paid during the year.

The net gearing ratio, being the ratio of net borrowings (total borrowings less cash and bank balances) to equity attributable to equity holders, was 10.9% (2006: 7.8%) at the balance sheet date.

Tender/Performance/Retention Bonds

As at 31st December, 2007, the Group had outstanding tender/performance/retention bonds for construction contracts amounting to HK$122 million (2006: HK$67 million).

FUTURE OUTLOOK

The Board holds positive beliefs in the continued steady growth and stable cash inflow of the Group. Given Road King's track record in toll road management and its significant investments in the property development and management field, the Board foresees a strong outlook for the stable and diversified sources of income.

Guided by professional care and prudence, the Board will continue to explore new investment opportunities that will produce synergy when combined with the Group's core businesses.

APPRECIATION

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

Zen Wei Pao, William
Chairman

8th April, 2008