

The Directors present their annual report and the audited financial statements for the year ended 31st December, 2007.

PRINCIPAL ACTIVITIES

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

An analysis of the Group's performance for the year by business and geographical segments is set out in note 7 to the financial statements.

CUSTOMERS AND SUPPLIERS

For the year ended 31st December, 2007, the five largest customers of the Group together accounted for approximately 73% of the Group's turnover, with the largest customer accounted for 48%, and the five largest suppliers of the Group together represented less than 11% by value of the Group's total purchases.

None of the Directors, or any of their associates, or any shareholders which, to the knowledge of the Directors owned more than 5% of the Company's share capital, had any beneficial interests in the Group's five largest customers or five largest suppliers as mentioned in the preceding paragraph.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2007 are set out in the consolidated income statement on page 49.

An interim dividend of HK6 cents per share was paid to shareholders during the year. The Directors now recommend the payment of a final dividend of HK6 cents per share payable to shareholders whose names appear in the Register of Members of the Company on 26th May, 2008. The amounts of dividends paid and dividends proposed for the year are set out in note 17 to the financial statements.

RESERVES

Details of movements in the reserves of the Group for the year are set out in the consolidated statement of changes in equity on page 52.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on pages 142 to 143.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year are set out in note 19 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the share capital and share options of the Company are set out in notes 45 and 48 to the financial statements respectively.

During the year, there was no movement in the share capital of the Company.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors of the Company during the financial year and up to the date of this report were:

Executive Directors:

Zen Wei Pao, William (*Chairman*)

Zen Wei Peu, Derek (*Vice Chairman*)

Wong Wing Cheung, Dennis (*Finance Director*) (appointed on 1st June, 2007)

Chiu Wai Yee, Anriena

Non-executive Directors:

Lam Wai Hon, Patrick

Chu Tat Chi

Cheng Chi Pang, Leslie

Independent Non-executive Directors:

Wong Che Ming, Steve

Wan Siu Kau, Samuel

Wong Man Chung, Francis

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS *(Continued)*

In accordance with bye-laws 86 and 87 of the Company's Bye-laws, Mr. Zen Wei Peu, Derek, Mr. Wong Wing Cheung, Dennis, Mr. Lam Wai Hon, Patrick and Dr. Wong Che Ming, Steve shall retire from office at the forthcoming annual general meeting, and being eligible, offer themselves for re-election. All other remaining Directors continue in office.

The Non-executive Directors have been appointed for a term subject to retirement by rotation as required by the Company's Bye-laws.

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

The Company received confirmation of independence from Dr. Wong Che Ming, Steve, Mr. Wan Siu Kau, Samuel and Mr. Wong Man Chung, Francis, being the Independent Non-executive Directors in respect of the year ended 31st December, 2007, pursuant to Rule 3.13 of the Listing Rules. The Company considers all the Independent Non-executive Directors to be independent.

DIRECTORS' INTERESTS AND SHORT POSITIONS

As at 31st December, 2007, the interests and short positions of the Directors of the Company in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or were required to be entered in the register maintained by the Company pursuant to section 352 of the SFO or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange were as follows:

DIRECTORS' INTERESTS AND SHORT POSITIONS *(Continued)***(I) The Company*****Interests in shares***

Name of Director	Capacity/ Nature of interest	Number of shares held		Percentage of the issued ordinary share capital (%)
		Long position	Short position	
Zen Wei Pao, William	Personal	192,381,843 <i>(Note 1)</i>	—	24.26
	Personal	770,000 <i>(Note 2)</i>	—	0.10
Zen Wei Peu, Derek	Personal	185,057,078 <i>(Note 1)</i>	—	23.33
	Personal	770,000 <i>(Note 2)</i>	—	0.10
Wong Wing Cheung, Dennis	Personal	550,000 <i>(Note 2)</i>	—	0.07
Chiu Wai Yee, Anriena	Personal	550,000 <i>(Note 2)</i>	—	0.07
Lam Wai Hon, Patrick	Personal	300,000 <i>(Note 1)</i>	—	0.03
	Personal	330,000 <i>(Note 2)</i>	—	0.04
Chu Tat Chi	Personal	330,000 <i>(Note 2)</i>	—	0.04
Cheng Chi Pang, Leslie	Personal	500,000 <i>(Note 1)</i>	—	0.06
	Personal	330,000 <i>(Note 2)</i>	—	0.04
Wong Che Ming, Steve	Personal	900,000 <i>(Note 1)</i>	—	0.11
	Personal	330,000 <i>(Note 2)</i>	—	0.04
Wan Siu Kau, Samuel	Personal	330,000 <i>(Note 2)</i>	—	0.04
Wong Man Chung, Francis	Personal	330,000 <i>(Note 2)</i>	—	0.04

Notes:

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

DIRECTORS' INTERESTS AND SHORT POSITIONS *(Continued)***(II) Associated Corporations*****Interests in shares***

Name of Director	Name of company	Capacity/ Nature of interest	Number of shares held		Percentage of the issued ordinary share capital (%)
			Long position	Short position	
Zen Wei Pao, William	Build King Holdings Limited	Personal	1,400,000 <i>(Note 1)</i>	—	0.17 <i>(Note 3)</i>
	Road King Infrastructure Limited	Personal Personal	500,000 <i>(Note 1)</i> 6,000,000 <i>(Note 2)</i>	— —	0.07 <i>(Note 4)</i> 0.80 <i>(Note 4)</i>
	Wai Kee (Zens) Construction & Transportation Company Limited	Personal	2,000,000 <i>(Note 1)</i>	—	10.00
	Wai Luen Stone Products Limited	Personal	30,000 <i>(Note 1)</i>	—	37.50
	Zen Wei Peu, Derek	Build King Holdings Limited	Personal	107,581,421 <i>(Note 1)</i>	—
Zen Wei Peu, Derek	Chai-Na-Ta Corp.	Personal	253,728 <i>(Note 1)</i>	—	0.73
	Road King Infrastructure Limited	Personal Personal	5,786,000 <i>(Note 1)</i> 2,300,000 <i>(Note 2)</i>	— —	0.77 0.31
		Wai Kee (Zens) Construction & Transportation Company Limited	Personal	2,000,000 <i>(Note 1)</i>	—
	Wai Luen Stone Products Limited	Personal	30,000 <i>(Note 1)</i>	—	37.50

DIRECTORS' INTERESTS AND SHORT POSITIONS *(Continued)***(II) Associated Corporations** *(Continued)***Interests in shares** *(Continued)*

Name of Director	Name of company	Capacity/ Nature of interest	Number of shares held		Percentage of the issued ordinary share capital (%)
			Long position	Short position	
Chiu Wai Yee, Anriena	Build King Holdings Limited	Personal	837,000 <i>(Note 1)</i>	—	0.10 <i>(Note 3)</i>
	Chai-Na-Ta Corp.	Personal	1,920 <i>(Note 1)</i>	—	0.01
	Road King	Personal	75,000 <i>(Note 1)</i>	—	0.01
	Infrastructure Limited	Personal	635,000 <i>(Note 2)</i>	—	0.08
Lam Wai Hon, Patrick	Build King Holdings Limited	Personal	140,000 <i>(Note 1)</i>	—	0.02
Cheng Chi Pang, Leslie	Build King Holdings Limited	Personal	1,170,000 <i>(Note 1)</i>	—	0.14 <i>(Note 3)</i>
Wong Che Ming, Steve	Build King Holdings Limited	Personal	311,225 <i>(Note 1)</i>	—	0.04

Notes:

1. Long position in the shares (other than pursuant to equity derivatives such as share options, warrants to subscribe or convertible bonds).
2. Long position in the underlying shares of Road King pursuant to unlisted equity derivatives (including physically settled, cash settled and other equity derivatives). Share options granted to directors are included in this category, the particulars of which are set out in (II) under the heading "SHARE OPTIONS" below.
3. As at 31st December, 2007, the issued share capital of Build King was 821,408,494 shares. Accordingly, the percentage has been adjusted.
4. As at 31st December, 2007, the issued share capital of Road King was 752,646,566 shares. Accordingly, the percentage has been adjusted.

Save as disclosed above, none of the Directors or their associates has any interests or short positions in any shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) as recorded in the register to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange.

SHARE OPTIONS

(I) The Company

A share option scheme (the "Share Option Scheme") was adopted by the Company at the annual general meeting held on 18th September, 2002 to comply with Chapter 17 of the Listing Rules. During the year, there were 6,160,000 share options granted under the Share Option Scheme.

Details of the Share Option Scheme are set out in note 48 to the financial statements.

Renewal of the 10% share option scheme mandate limit under the Share Option Scheme was approved by the shareholders on 12th May, 2004. Therefore, the Company can grant share options to subscribe for up to 79,282,403 shares of the Company under the Share Option Scheme. Since 12th May, 2004, as there were 6,160,000 share options granted under the Share Option Scheme during the year, the total number of shares available for issue under the Share Option Scheme is 73,122,403 representing approximately 9.22% of the Company's issued share capital as at the date of this report.

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

Name	Date of grant	Exercisable period	Exercise price	Number of share options				
				Balance at 1.1.2007	Granted during the year [†]	Exercised during the year	Cancelled/ Lapsed during the year	Balance at 31.12.2007
<i>HK\$</i>								
Directors								
Zen Wei Pao, William	9th July, 2007	9th July, 2008 to 8th July, 2011	3.39	—	770,000	—	—	770,000
Zen Wei Peu, Derek	9th July, 2007	9th July, 2008 to 8th July, 2011	3.39	—	770,000	—	—	770,000
Wong Wing Cheung, Dennis	9th July, 2007	9th July, 2008 to 8th July, 2011	3.39	—	550,000	—	—	550,000
Chiu Wai Yee, Anriena	9th July, 2007	9th July, 2008 to 8th July, 2011	3.39	—	550,000	—	—	550,000

SHARE OPTIONS *(Continued)*
(I) The Company *(Continued)*

Name	Date of grant	Exercisable period	Exercise price	Number of share options				Balance at 31.12.2007
				Balance at 1.1.2007	Granted during the year [#]	Exercised during the year	Cancelled/Lapsed during the year	
				<i>HK\$</i>				
Directors <i>(Continued)</i>								
Lam Wai Hon, Patrick	9th July, 2007	9th July, 2008 to 8th July, 2011	3.39	—	330,000	—	—	330,000
Chu Tat Chi	9th July, 2007	9th July, 2008 to 8th July, 2011	3.39	—	330,000	—	—	330,000
Cheng Chi Pang, Leslie	9th July, 2007	9th July, 2008 to 8th July, 2011	3.39	—	330,000	—	—	330,000
Wong Che Ming, Steve	9th July, 2007	9th July, 2008 to 8th July, 2011	3.39	—	330,000	—	—	330,000
Wan Siu Kau, Samuel	9th July, 2007	9th July, 2008 to 8th July, 2011	3.39	—	330,000	—	—	330,000
Wong Man Chung, Francis	9th July, 2007	9th July, 2008 to 8th July, 2011	3.39	—	330,000	—	—	330,000
Sub-total				—	4,620,000	—	—	4,620,000
Others								
Employees	9th July, 2007	9th July, 2008 to 8th July, 2011	3.39	—	1,540,000	—	(150,000)	1,390,000
Sub-total				—	1,540,000	—	(150,000)	1,390,000
Total				—	6,160,000	—	(150,000)	6,010,000

The closing price of the shares of the Company immediately before the date of grant was HK\$3.32.

SHARE OPTIONS *(Continued)*
(II) Associated Corporation

The share option scheme was adopted by Road King at the annual general meeting held on 12th May, 2003 (the "Road King Share Option Scheme") to comply with Chapter 17 of the Listing Rules. As at 31st December, 2007, Road King has granted 19,950,000 share options under the Road King Share Option Scheme to three Directors of the Company, 11,015,000 share options of which have been exercised.

Details of the share options granted under the Road King Share Option Scheme to the following Directors of the Company and a summary of the movements during the year are as follows:

Name of Director	Date of grant	Exercisable period	Exercise price	Number of share options				
				Balance at 1.1.2007	Granted during the year [‡]	Exercised during the year*	Cancelled/ Lapsed during the year	Balance at 31.12.2007
			HK\$					
Zen Wei Pao, William	17th October, 2003	17th October, 2003 to 16th October, 2008	5.15	500,000	—	(500,000)	—	—
	26th August, 2004	26th August, 2004 to 25th August, 2009	5.70	2,500,000	—	(2,500,000)	—	—
	14th December, 2005	14th December, 2005 to 13th December, 2010	5.80	2,500,000	—	(1,500,000)	—	1,000,000
	20th December, 2006	20th December, 2006 to 19th December, 2011	11.66	2,500,000	—	—	—	2,500,000
	6th November, 2007	6th November, 2007 to 5th November, 2012	14.85	—	2,500,000	—	—	2,500,000
Zen Wei Peu, Derek	20th December, 2006	20th December, 2006 to 19th December, 2011	11.66	1,300,000	—	(500,000)	—	800,000
	6th November, 2007	6th November, 2007 to 5th November, 2012	14.85	—	1,500,000	—	—	1,500,000

SHARE OPTIONS *(Continued)*
(II) Associated Corporation *(Continued)*

Name of Director	Date of grant	Exercisable period	Exercise price	Number of share options				Balance at 31.12.2007
				Balance at 1.1.2007	Granted during the year [#]	Exercised during the year [*]	Cancelled/ Lapsed during the year	
			HK\$					
Chiu Wai Yee, Anriena	17th October, 2003	17th October, 2003 to 16th October, 2008	5.15	210,000	—	(75,000)	—	135,000
	26th August, 2004	26th August, 2004 to 25th August, 2009	5.70	200,000	—	—	—	200,000
	14th December, 2005	14th December, 2005 to 13th December, 2010	5.80	100,000	—	—	—	100,000
	20th December, 2006	20th December, 2006 to 19th December, 2011	11.66	100,000	—	—	—	100,000
	6th November, 2007	6th November, 2007 to 5th November, 2012	14.85	—	100,000	—	—	100,000
Total				9,910,000	4,100,000	(5,075,000)	—	8,935,000

The closing price of the shares of Road King immediately before the date of grant was HK\$15.340.

* The weighted average closing price of the shares of Road King immediately before the date on which the share options were exercised is HK\$14.201.

Save as disclosed above, none of the Directors nor any of their associates had any interests in the securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

Save as disclosed above, none of the Directors nor their spouse or children under 18 years of age were granted or had exercised any rights to subscribe for any securities of the Company or any of its associated corporations.

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

Other than the share option schemes as mentioned earlier, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

COMPETING INTERESTS

During the year, the following Directors had interest in the business which competes or is likely to compete, either directly or indirectly, with the business of the Group as required to be disclosed under the Listing Rules:

Name of Director	Name of entity	Competing business	Nature of interest
Lam Wai Hon, Patrick	NWS Holdings Limited group of companies	Construction, toll road, infrastructure and sale of general merchandised goods	Director
Chu Tat Chi	NWS Service Management Limited group of companies	Building construction, civil engineering and sale of general merchandised goods	Director

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31st December, 2007, so far as is known to any Director of the Company, the following persons (other than Directors of the Company) have interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS *(Continued)*

Notes:

1. Long position in the shares (other than pursuant to equity derivatives such as share options, warrants to subscribe or convertible bonds).
2. Cheng Yu Tung Family (Holdings) Limited is deemed to be interested in the shares through its interests in its subsidiary, namely Centennial Success Limited.
3. Centennial Success Limited is deemed to be interested in the shares through its interests in its wholly owned subsidiary, namely Chow Tai Fook Enterprises Limited.
4. Chow Tai Fook Enterprises Limited is deemed to be interested in the shares through its interests in more than one-third of the issued share capital of New World Development Company Limited.
5. New World Development Company Limited is deemed to be interested in the shares through its interests in its subsidiary, namely NWS Holdings Limited.
6. NWS Holdings Limited is deemed to be interested in the shares through its interests in its wholly owned subsidiary, namely NWS Service Management Limited (incorporated in the Cayman Islands).
7. NWS Service Management Limited (incorporated in the Cayman Islands) is deemed to be interested in the shares through its interests in its wholly owned subsidiary, namely NWS Service Management Limited (incorporated in the British Virgin Islands).
8. NWS Service Management Limited (incorporated in the British Virgin Islands) is deemed to be interested in the shares through its interests in its wholly owned subsidiary, namely Vast Earn Group Limited.
9. Vast Earn Group Limited is a wholly owned subsidiary of NWS Service Management Limited (incorporated in the British Virgin Islands).

Save as disclosed above, no other person (other than Directors of the Company) has an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31st December, 2007.

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is available to the Company and within the knowledge of the Directors of the Company, the Company has maintained the prescribed public float under the Listing Rules.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

DONATIONS

During the year, the Group made charitable and other donations amounting to HK\$155,000.

EMPLOYEES AND REMUNERATION POLICIES

As at 31st December, 2007, the Group had 1,305 employees (2006: 1,388 employees), of which 911 (2006: 979) were located in Hong Kong, 317 (2006: 373) were located in Mainland China, 11 (2006: 4) were located in Taiwan and 66 (2006: 32) in Dubai. For the year ended 31st December, 2007, the Group's total staff costs were about HK\$240 million (2006: HK\$194 million).

Competitive remuneration packages are structured to commensurate with individual responsibilities, qualification, experience and performance.

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

AUDITOR

A resolution will be proposed at the forthcoming annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as Auditor of the Company.

On behalf of the Board

Zen Wei Pao, William

Chairman

8th April, 2008