



# Wai Kee Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 610)



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## Interim Results Highlights

The board of directors (the "Board") of Wai Kee Holdings Limited (the "Company") announces the interim results of the Company and its subsidiaries (the "Group") for the six months ended 30th June, 2007.

### FINANCIAL PERFORMANCE HIGHLIGHTS

Group turnover and share of turnover of jointly controlled entities	HK\$616 million
Profit attributable to equity holders	HK\$150 million
Basic earnings per share	HK18.95 cents
Interim dividend per share	HK6 cents
Equity attributable to equity holders per share	HK\$3.74

### INTERIM DIVIDEND

The Board has resolved to pay an interim dividend of HK6 cents (six months ended 30th June, 2006: HK6 cents) per ordinary share for the six months ended 30th June, 2007 to the shareholders of the Company whose names appear in the Register of Members of the Company on 6th September, 2007.

It is expected that dividend warrants will be sent to the shareholders on or before 25th September, 2007.

### CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 3rd September, 2007 to Thursday, 6th September, 2007, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:00 p.m. on Friday, 31st August, 2007.

The Group's unaudited turnover for the six months ended 30th June, 2007 was HK\$447 million (2006: HK\$301 million) and HK\$616 million (2006: HK\$459 million) if including turnover of jointly controlled entities shared by the Group, generating an unaudited consolidated profit attributable to equity holders of HK\$150 million (2006: HK\$107 million), an increase of 41% as compared with that of 2006.

### **HIGHWAY AND EXPRESSWAY OPERATIONS AND PROPERTY DEVELOPMENT**

Road King Infrastructure Limited ("Road King"), an associate of the Group, contributed a profit of HK\$145 million to the Group for the six months ended 30th June, 2007 (2006: HK\$96 million). The contribution for the period was stated after taking into account the net gain of HK\$27 million (2006: the net loss of HK\$18 million) on deemed disposals of partial interest in Road King resulting from its placement of new shares to investors and exercise of share options by directors and employees of Road King. During the period, despite the Group acquired some additional interest in Road King, the interest of the Group in Road King was diluted in aggregate by 2.6% to 37.3%.

Road King's toll road and property businesses continued to develop based upon the integrated foundation built over the past few years. For the six months ended 30th June, 2007, Road King recorded an unaudited profit attributable to equity holders of HK\$310 million (2006: HK\$248 million), an increase of 25% as compared with that in the corresponding period of 2006.

For the first half of 2007, total traffic volume and toll revenue of toll road projects were approximately 63.4 million vehicles and RMB1.1 billion respectively. Cash contributed from Road King's toll road business amounted to HK\$456.2 million. Compared to the same period of 2006, total traffic volume and toll revenue grew by 9% and 14% respectively (excluding the disposed project in 2006).

In June 2007, Road King had entered into agreements to dispose of 25% of the equity interest in three Class II highways, of which Road King owned 60% equity interest prior to the disposal. Road King is preparing to dispose of the remaining equity interest in those highways in the coming years. Such disposals are in line with Road King's policy to dispose of Class I/II highway projects to enhance investment returns. Road King will continue to enhance and expand the portfolio of expressway projects.

### **HIGHWAY AND EXPRESSWAY OPERATIONS AND PROPERTY DEVELOPMENT** (Cont'd)

Road King's property projects in Guangdong are well received by the customers. Up to 30th June, 2007, Road King had pre-sold and delivered approximately 91% and 88% respectively, of the total gross saleable area of Parkrise project. In view of the encouraging response to the pre-sale of Parkvista Phase I, Road King has commenced the construction preparation work for Parkvista Phase II.

Pre-sale of Road King's Royal City project in Changzhou City, Jiangsu Province commenced in October 2006 and up to 30th June, 2007, 397 residential units of the first phase had been pre-sold with satisfactory results. Road King has commenced the construction work for Vista Panorama Phase I, which is the second project in Changzhou City, in the first half of the year. For the Grand Metropolis commercial project, a long-term rental contract has been signed with a well-known supermarket operator, RT-MART and the construction thereof has also been commenced in the first half of the year.

Following the acquisition of the Phoenix City project in late 2006, Road King subscribed for 49% of the enlarged share capital of Sunco Property Holdings Company Limited ("Sunco A") and Road King became the largest shareholder of Sunco A in January 2007. At the same time, the Company subscribed for 5% of the enlarged share capital of Sunco A.

In July 2007, Road King and the Company further acquired additional interests in Sunco A to approximately 88.46% and 5.28% respectively of the enlarged share capital of Sunco A (the "Sunco Acquisitions"). Upon completion of the Sunco Acquisitions, Road King's attributable land bank increased to approximately 6.6 million sq.m. spreading across 25 projects (including one joint venture). Out of the total land bank, approximately 3.6 million sq.m., representing 55% of Road King's total land bank, was located in Beijing, Tianjin, Suzhou and Guangzhou and the remaining 45% was located in fast developing cities such as Zhengzhou, Jinan, Wuhan and Changzhou.

On the financial front, Road King's bank balances and cash totalled HK\$2.7 billion and total borrowings were HK\$6.0 billion as at 30th June, 2007.

### CIVIL CONSTRUCTION

The Group's construction sector, Build King Holdings Limited ("Build King") recorded turnover and share of turnover of jointly controlled entities of HK\$590 million (2006: HK\$439 million) and profit attributable to equity holders (including investment income) of HK\$25 million for the six months ended 30th June, 2007 (2006: HK\$25 million), of which the Group's share is HK\$14 million (2006: HK\$15 million). As of the date of this report, the Group owns 55.7% interest in Build King.

Build King has consistently adopted a strategy to improve works quality, site safety and environmental conformance. As a result, the performance scores of all construction subsidiaries with the Hong Kong Government were above the industrial average resulting in a competitive advantage in bidding new public work projects.

During the first half of 2007, Build King secured eleven new construction projects with a total value of over HK\$600 million. These include a veterinary hospital for Ocean Park, two school building projects for Architectural Services Department, a building project for a private property developer and works for MTR Corporation ("MTRC") and Kowloon-Canton Railway Corporation ("KCRC").

The first building project for Road King in Changzhou is progressed with a small profit; this project is expected to be completed in 2008. With this successful track record, Build King will seek to participate in future projects for Road King.

China Railway Tenth Group Third Engineering Co., Ltd. ("CRTE"), the joint venture company in which Build King has 49% interest is slowly gaining momentum to develop its construction business. During the first half of 2007, the pipe line projects in Wuxi City was completed and a reasonable margin is expected on settlement of the final account. The highway project in Shaanxi Province awarded in August 2006 was 30% complete and likely to be finished in 2008. CRTE also successfully secured another Build-and-Transfer project to construct facilities buildings for a toll road in Anhui Province.

### **CIVIL CONSTRUCTION** (Cont'd)

Build King's first environmental infrastructure investment to build and operate a sewage treatment plant in Wuxi City has started operation. The average daily sewage volume was lower than forecast but it is now picking up slowly. Efforts are now being put to increase the volume by connection of more industrial customers into the plant. Despite of this low volume, Build King is well covered by the guaranteed income in accordance with the agreement entered into with the local government.

In the Middle East, the strategic alliance with Arabian Construction Company ("ACC"), a major contractor in the United Arab Emirates, is going to generate meaningful results in near future. The first marine works with ACC having been successfully completed in the first half of 2007. The joint venture has recently been awarded with the second contract value to build a pier for a steel factory.

As of the date of this report, Build King had contracts on hand of about HK\$4,915 million, of which about HK\$1,767 million has yet to be completed.

### **QUARRYING**

For the six months ended 30th June, 2007, turnover of the quarrying division was HK\$19 million (2006: HK\$18 million). Due to lower construction and housing activities in Hong Kong couple with high fuel, labour and material costs in China, the quarrying division just managed to achieve its sales target and controlled its costs within a tight budget. The quarrying division reported a net profit of HK\$2 million for the six months ended 30th June, 2007 (2006: HK\$9 million).

As the overall construction market is still suffering from significant shortage of works in 2007, looking forward, the management does not expect any improvement in sales and profit to the quarrying division and will continue to control our costs and wait for the market recovery.

### BIO-TECHNOLOGY

It is a normal practice of the pesticide industry in the PRC that the buyers are allowed to return the unconsumed goods ordered and delivered to them after completion of the pesticide application period in the third quarter each year. Following the prudent approach adopted in last two years that no sales revenue will be recognized until the net sale after goods return will have been confirmed with individual customers after completion of the pesticide application period in the second half year, the bio-technology division did not record any turnover for the six months ended 30th June, 2007 (2006: nil). Due to no gross profit contributed from sales turnover during the period, the division recorded a loss of HK\$7 million for the period (2006: HK\$7 million), which mainly comprised of research and development expenses in refining existing products and developing new products, finance costs incurred as well as fixed overhead costs.

In the first half of the year, the bio-technology division recorded amounts of goods ordered and delivered to the customers of about HK\$27 million which is 23% increase as compared with that of 2006. Significant portion of the goods ordered and delivered is expected to be recognised as sales turnover and then contribute gross profit in the second half of 2007. While the Group has taken various measures to improve the performance of the division, including a new management team and refined product mix, the management anticipates this year would still be a difficult year for the division in view of the tough operating market environment and high cost structure.

### NORTH AMERICAN GINSENG

For the six months ended 30th June, 2007, turnover of Chai-Na-Ta Corp. ("CNT"), an associate of the Group, was C\$5.3 million (2006: C\$3.7 million) with a loss of C\$1.8 million (2006: C\$0.6 million). The Group held 38.1% interest in CNT and its share in loss was about HK\$5 million.

Ginseng prices still remain at low levels in the first six months of 2007. During the period, CNT recorded a write-down on inventory of C\$1.3 million (2006: C\$0.2 million). This inventory was being held by CNT to fulfill a contract with a Canadian customer for a predetermined minimum quantity at a fixed price. The contract expired and the customer had not ordered the predetermined minimum quantity and CNT had been unable to negotiate an acceptable subsequent agreement with that customer. CNT intends to pursue all possible options including legal action to ensure the customer to honour the agreement.

### **NORTH AMERICAN GINSENG** (Cont'd)

Currently, it is still too early to make a judgment of how sales and prices of ginseng will be like until the harvest and drying season completed at the year end. Nevertheless, given the strong Canadian dollar and high inventory levels in China, Hong Kong and Canada, the second half year is foreseen to be challenging for the business.

### **FUTURE OUTLOOK**

The Board holds positive beliefs in the continued growth of the Group.

Road King's toll road and the property development businesses are complimentary in characteristics. This business mix will produce synergy in further enhancing both toll road and property development businesses. Road King will continue to look for new expressways and to identify and secure land reserve, especially in first tier cities and provincial capitals.

Although there are signs of some recovery in Hong Kong construction market, the contracting business still faced severe competition in the first half of 2007. Looking forward, rising material price and labour cost, shortage of professional staff in Hong Kong pose challenges to the industry and 2008 will remain a difficult year. It is cautiously optimistic that 2009 will be better with new railway projects expected following the merger of MTRC and KCRC has completed.

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.

## LIQUIDITY AND FINANCIAL RESOURCES

During the period, total borrowings were increased from HK\$325 million to HK\$414 million with the maturity profile summarised as follows:

	<b>As at</b>	
	<b>30th June, 2007 HK\$' million</b>	31st December, 2006 HK\$' million
Within one year	<b>269</b>	195
In the second year	<b>46</b>	49
In the third to fifth year inclusive	<b>99</b>	81
	<b>414</b>	325

Included in the total borrowings, there was a contract of structured borrowing with a bank that was designated as financial liabilities at fair value through profit or loss. The entire combined contract is measured at fair value as quoted by the bank and change in its fair value of HK\$2 million between the balance sheet dates has been charged to the consolidated income statement for the current period. Other than the fixed rate borrowings of approximately HK\$13 million which carry interest ranging from 5.85% to 6.11%, the remaining bank loans are variable-rate borrowings which carry interest ranging from 4.35% to 6.61%.

As at 30th June, 2007, the Group's cash and bank balances amounted to HK\$86 million (as at 31st December, 2006: HK\$105 million), of which bank deposits amounting to HK\$10 million (as at 31st December, 2006: HK\$7 million) were pledged to banks for the purpose of meeting 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 six months ended 30th June, 2007 of HK\$10 million (for the six months ended 30th June, 2006: HK\$4 million).

### **LIQUIDITY AND FINANCIAL RESOURCES (Cont'd)**

With an objective to enhance the return on surplus cash on hand, the Group had invested for the short term in a portfolio of investments in listed securities and commodity assets. As at 30th June, 2007, such investments were stated at their fair values in a total amount of HK\$151 million (as at 31st December, 2006: HK\$102 million), all of which were equity securities listed in Hong Kong. Certain equity securities with market value of HK\$46 million (as at 31st December, 2006: HK\$42 million) were pledged to a bank to secure general banking facilities granted to the Group. For the six months ended 30th June, 2007, the Group recorded a net gain of HK\$58 million (for the six months ended 30th June, 2006: HK\$21 million) from investments, being the realized and unrealized gains or losses plus dividend income received.

The Group's borrowings, investments and cash balances were principally denominated in Hong Kong dollars, Renminbi and US dollars. Hence, there is no significant exposure to foreign exchange rate fluctuations.

### **CAPITAL STRUCTURE AND GEARING RATIO**

As at 30th June, 2007, the equity attributable to equity holders amounted to HK\$2,966 million, representing HK\$3.74 per share (as at 31st December, 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 period after deduction of dividends paid during the period.

The net gearing ratio, being the ratio of net borrowings (total borrowings less cash and bank balances) to equity attributable to equity holders, was 11.1% (as at 31st December, 2006: 7.8%) at the balance sheet date.

### **PLEDGE OF ASSETS**

As at 30th June, 2007, apart from the bank deposits pledged to banks for the purpose of meeting the terms and conditions of certain construction contracts entered into by the Group and securing the banking facilities granted to the Group, and certain equity securities pledged to a bank to secure general banking facilities granted to the Group, prepaid lease payment on land use rights and building with an aggregate carrying value of HK\$7 million (as at 31st December, 2006: HK\$7 million) were pledged to secure the banking facilities granted to the Group.

### **CONTINGENT LIABILITIES**

As at 30th June, 2007, the Group had contingent liabilities amounting to HK\$119 million (as at 31st December, 2006: HK\$67 million) related to guarantees/counter indemnities given in respect of outstanding tender/performance/retention bonds for construction contracts.

## DIRECTORS' INTERESTS AND SHORT POSITIONS

As at 30th June, 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 of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or were required to be entered in the register maintained by the Company pursuant to section 352 of the SFO or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange were as follows:

### (I) The Company

#### *Interests in shares*

Name of Director	Capacity/ Nature of interest	Number of shares held		Percentage of the issued ordinary share capital (%)
		Long position	Short position	
Zen Wei Pao, William	Personal	192,381,843 (Note 1)	—	24.26 (Note 2)
Zen Wei Peu, Derek	Personal	185,057,078 (Note 1)	—	23.33 (Note 2)
Lam Wai Hon, Patrick	Personal	300,000 (Note 1)	—	0.03
Cheng Chi Pang, Leslie	Personal	500,000 (Note 1)	—	0.06
Wong Che Ming, Steve	Personal	900,000 (Note 1)	—	0.11

#### Notes:

1. Long position in the shares (other than pursuant to equity derivatives such as share options, warrants to subscribe or convertible bonds).
2. As at 30th June, 2007, the issued share capital of the Company is 793,124,034 shares. Accordingly, the percentage has been adjusted.

**DIRECTORS' INTERESTS AND SHORT POSITIONS** (Cont'd)

**(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 (Note 1)	—	0.17 (Note 3)
	Road King Infrastructure Limited	Personal	5,500,000 (Note 2)	—	0.74
	Wai Kee (Zens) Construction & Transportation Company Limited	Personal	2,000,000 (Note 1)	—	10.00
	Wai Luen Stone Products Limited	Personal	30,000 (Note 1)	—	37.50
Zen Wei Peu, Derek	Build King Holdings Limited	Personal	107,581,421 (Note 1)	—	13.10 (Note 3)
	Chai-Na-Ta Corp.	Personal	253,728 (Note 1)	—	0.73
	Road King Infrastructure Limited	Personal	5,286,000 (Note 1)	—	0.71 (Note 4)
		Personal	1,300,000 (Note 2)	—	0.17 (Note 4)
	Wai Kee (Zens) Construction & Transportation Company Limited	Personal	2,000,000 (Note 1)	—	10.00
Wai Luen Stone Products Limited	Personal	30,000 (Note 1)	—	37.50	

**DIRECTORS' INTERESTS AND SHORT POSITIONS** (Cont'd)

**(II) Associated Corporations** (Cont'd)

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

Name of Director	Name of company	Capacity/ Nature of interest	Number of shares held		Percentage of the issued ordinary share capital (%)
			Long position	Short position	
Chiu Wai Yee, Anriena	Build King Holdings Limited	Personal	837,000 (Note 1)	—	0.10 (Note 3)
	Chai-Na-Ta Corp.	Personal	1,920 (Note 1)	—	0.01
	Road King Infrastructure Limited	Personal	75,000 (Note 1)	—	0.01
		Personal	535,000 (Note 2)	—	0.07
Lam Wai Hon, Patrick	Build King Holdings Limited	Personal	140,000 (Note 1)	—	0.02
Cheng Chi Pang, Leslie	Build King Holdings Limited	Personal	1,170,000 (Note 1)	—	0.14 (Note 3)
Wong Che Ming, Steve	Build King Holdings Limited	Personal	311,225 (Note 1)	—	0.04

## **DIRECTORS' INTERESTS AND SHORT POSITIONS** (Cont'd)

### **(II) Associated Corporations** (Cont'd)

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

##### *Notes:*

1. Long position in the shares (other than pursuant to equity derivatives such as share options, warrants to subscribe or convertible bonds).
2. Long position in the underlying shares of Road King pursuant to unlisted equity derivatives (including physically settled, cash settled and other equity derivatives). Share options granted to directors are included in this category, the particulars of which are set out in (II) under the heading "SHARE OPTIONS" below.
3. As at 30th June, 2007, the issued share capital of Build King was 821,408,494 shares. Accordingly, the percentage has been adjusted.
4. As at 30th June, 2007, the issued share capital of Road King was 745,970,566 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 Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). No option was granted under the Share Option Scheme during the period.

**SHARE OPTIONS (Cont'd)**

**(II) Associated Corporation**

The share option scheme was adopted by Road King at the annual general meeting held on 12th May, 2003 (the "Road King Share Option Scheme") to comply with Chapter 17 of the Listing Rules. As at 30th June, 2007, Road King has granted 15,850,000 share options under the Road King Share Option Scheme to three Directors of the Company, 8,515,000 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 period are as follows:

Name of Director	Date of grant	Vesting period	Exercisable period	Exercise price	Number of share options				Balance at 30.6.2007
					Balance at 1.1.2007	Granted during the period	Exercised during the period*	Cancelled during the period	
					HK\$				
Zen Wei Pao, William	17th October, 2003	5 years	17th October, 2003 to 16th October, 2008	5.15	500,000	—	(500,000)	—	—
	26th August, 2004	5 years	26th August, 2004 to 25th August, 2009	5.70	2,500,000	—	(2,000,000)	—	500,000
	14th December, 2005	5 years	14th December, 2005 to 13th December, 2010	5.80	2,500,000	—	—	—	2,500,000
	20th December, 2006	5 years	20th December, 2006 to 19th December, 2011	11.66	2,500,000	—	—	—	2,500,000
Zen Wei Peu, Derek	20th December, 2006	5 years	20th December, 2006 to 19th December, 2011	11.66	1,300,000	—	—	—	1,300,000
Chiu Wai Yee, Anriena	17th October, 2003	5 years	17th October, 2003 to 16th October, 2008	5.15	210,000	—	(75,000)	—	135,000
	26th August, 2004	5 years	26th August, 2004 to 25th August, 2009	5.70	200,000	—	—	—	200,000
	14th December, 2005	5 years	14th December, 2005 to 13th December, 2010	5.80	100,000	—	—	—	100,000
	20th December, 2006	5 years	20th December, 2006 to 19th December, 2011	11.66	100,000	—	—	—	100,000
<b>Total</b>					<b>9,910,000</b>	<b>—</b>	<b>(2,575,000)</b>	<b>—</b>	<b>7,335,000</b>

\* The weighted average closing price of the shares of Road King immediately before the date on which the share options were exercised is HK\$13.862.

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).

## SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30th June, 2007, so far as is known to any Directors 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** (Cont'd)

*Notes:*

1. Long position in the shares (other than pursuant to equity derivatives such as share options, warrants to subscribe or convertible bonds).
2. 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.

The Company is committed to attaining good standard of corporate governance practices with an emphasis on a quality board, better transparency, and effective accountability system in order to enhance shareholders' value. Detailed disclosure of the Company's corporate governance practices is available in the 2006 Annual Report.

The Company has adopted the code provisions of the Code on Corporate Governance Practices (the "Code") set out in Appendix 14 of the Listing Rules as its own code and has complied with the Code throughout the six months ended 30th June, 2007, with deviations from code provisions A.2.1 and A.4.1 of the Code in respect of the separate role of chairman and chief executive officer, and service term of directors.

Under the code provisions A.2.1 and A.4.1 of the Code, (a) the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and the chief executive officer should be clearly established and set out in writing; and (b) non-executive directors should be appointed for a specific term and subject to re-election.

### **CODE PROVISION A.2.1**

The Chairman of the Board is Mr. William Zen Wei Pao and the Vice Chairman is Mr. Derek Zen Wei Peu. Their duties are clearly set out in writing and are separate. Mr. William Zen Wei Pao, in addition to his duties as the Chairman of the Company, is also responsible for overseeing the operations of the Group's highway and expressway, property development and bio-technology divisions. This constitutes a deviation from the code provision A.2.1 of the Code as part of his duties overlap with those of the Vice Chairman. However, due to the Company's nature of operations, the Company considers that these duties are best served by the Chairman with his knowledge and experience in this area of the Group's operations.

The Company does not at present have any officer with the title "chief executive officer". However, the Vice Chairman carries out the duties of the chief executive officer of the Company and had done so since 1992. He was formally designated the "managing director" of the Company until 1998 when his title was changed to "Vice Chairman". Even though he is not formally designated as the chief executive officer of the Company, his duties and responsibilities are segregated from those of the Chairman's.

### **CODE PROVISION A.2.1 (Cont'd)**

Since the roles of the Chairman and Vice Chairman are clearly segregated and the Vice Chairman is in practice, the chief executive officer, even though he does not carry that title, the Company does not currently intend to re-designate the Vice Chairman as the chief executive officer of the Company.

### **CODE PROVISION A.4.1**

None of the existing Non-executive Directors (including Independent Non-executive Directors) of the Company is appointed for a specific term. This constitutes a deviation from the code provision A.4.1 of the Code. However, all the Directors of the Company are subject to the retirement provisions under Bye-law 87 of the Bye-laws of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code.

### **DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all the Directors of the Company have confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30th June, 2007.

### **AUDIT COMMITTEE**

The Audit Committee has reviewed with management (including Finance Director and Group's Financial Controller), internal auditor and external auditors the accounting principles and policies adopted by the Group and the unaudited interim financial statements for the six months ended 30th June, 2007.

### **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 six months ended 30th June, 2007.

### **EMPLOYEES AND REMUNERATION POLICIES**

As at 30th June, 2007, the Group had 1,403 employees (as at 31st December, 2006: 1,388 employees), of which 999 (as at 31st December, 2006: 979) were located in Hong Kong, 342 (as at 31st December, 2006: 373) were located in Mainland China, 10 (as at 31st December, 2006: 4) were located in Taiwan and 52 (as at 31st December, 2006: 32) were located in Dubai. For the six months ended 30th June, 2007, the Group's total staff costs were about HK\$115 million (for the six months ended 30th June, 2006: HK\$111 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.

### **APPRECIATION**

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

By Order of the Board

**William Zen Wei Pao**

*Chairman*

Hong Kong, 16th August, 2007



**REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION  
TO THE BOARD OF DIRECTORS OF WAI KEE HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

**INTRODUCTION**

We have reviewed the interim financial information set out on pages 23 to 44 which comprises the condensed consolidated balance sheet of Wai Kee Holdings Limited as of 30th June, 2007 and the related condensed consolidated income statement, statement of changes in equity and cash flow statement for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on the interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

### **Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

16th August, 2007

# Condensed Consolidated Income Statement

For the six months ended 30th June, 2007

	Notes	Six months ended 30th June,	
		2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Turnover	3	447,038	300,604
Cost of sales		(423,396)	(278,460)
Gross profit		23,642	22,144
Other income	5	13,298	23,592
Investment income, gains and losses	6	57,632	21,310
Distribution costs		(3,176)	(2,449)
Administrative expenses		(57,617)	(47,157)
Change in fair value of structured borrowing		(2,379)	—
Finance costs	7	(9,867)	(4,159)
Share of results of associates		112,571	112,530
Share of results of jointly controlled entities		6,957	12,591
Discount on acquisition of additional interest in an associate	8	—	1,336
Net gain (loss) on deemed disposals of partial interest in an associate	9	27,393	(18,074)
Profit before taxation	10	168,454	121,664
Income tax expense	11	(7,390)	(3,723)
Profit for the period		161,064	117,941
Attributable to:			
Equity holders of the Company		150,307	106,724
Minority interests		10,757	11,217
Profit for the period		161,064	117,941
Dividends	12	47,587	71,381
		<b>HK cents</b>	<i>HK cents</i>
Earnings per share	13		
— Basic		18.95	13.46
— Diluted		18.69	13.26

# Condensed Consolidated Balance Sheet

At 30th June, 2007

	Notes	30th June, 2007 (Unaudited) HK\$'000	31st December, 2006 (Audited) HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	14	80,490	83,385
Prepaid lease payments on land use rights		5,410	5,492
Intangible assets		32,858	32,858
Goodwill	15	35,524	35,950
Interests in associates	16	2,883,461	2,707,601
Interests in jointly controlled entities		59,335	60,869
Available-for-sale investments		—	3,127
Prepaid royalties	17	3,141	3,856
		<b>3,100,219</b>	2,933,138
<b>Current assets</b>			
Prepaid lease payments on land use rights		165	165
Available-for-sale investments		3,127	2,400
Prepaid royalties	17	2,840	3,545
Finance lease receivables		338	660
Inventories		39,975	19,880
Amounts due from customers for contract work		58,102	57,695
Debtors, deposits and prepayments	18	355,319	345,611
Amounts due from associates		1,263	2,017
Amounts due from jointly controlled entities		31,933	14,129
Tax recoverable		984	15,700
Held-for-trading investments	19	151,411	102,467
Pledged bank deposits	26	10,430	6,692
Bank balances and cash		75,627	98,089
		<b>731,514</b>	669,050
<b>Current liabilities</b>			
Amounts due to customers for contract work		22,921	1,094
Creditors and accrued charges	20	276,796	281,621
Amounts due to an associate		9,086	7,908
Amounts due to jointly controlled entities		4,367	29,350
Amount due to a related company	21	351	12,256
Amounts due to minority shareholders		2,548	2,548
Tax liabilities		16,014	9,041
Other borrowings		21	17
Bank loans	22	251,267	170,602
Structured borrowing	23	12,480	12,480
Bank overdrafts, secured		4,461	—
		<b>600,312</b>	526,917
<b>Net current assets</b>		<b>131,202</b>	142,133
<b>Total assets less current liabilities</b>		<b>3,231,421</b>	3,075,271

# Condensed Consolidated Balance Sheet

At 30th June, 2007

	<i>Notes</i>	<b>30th June, 2007 (Unaudited) HK\$'000</b>	31st December, 2006 (Audited) HK\$'000
<b>Non-current liabilities</b>			
Deferred tax liabilities		<b>5,750</b>	5,750
Obligations in excess of interest in associates	24	<b>22,044</b>	22,044
Loans from minority shareholders		<b>960</b>	960
Amount due to an associate		<b>10,517</b>	11,689
Amount due to a jointly controlled entity		<b>4,067</b>	4,067
Other borrowings		<b>92</b>	9
Bank loans	22	<b>88,497</b>	68,918
Structured borrowing	23	<b>56,928</b>	60,789
		<b>188,855</b>	174,226
<b>Total net assets</b>		<b>3,042,566</b>	2,901,045
<b>Capital and reserves</b>			
Share capital		<b>79,312</b>	79,312
Reserves		<b>2,887,086</b>	2,754,137
Equity attributable to equity holders of the Company		<b>2,966,398</b>	2,833,449
Minority interests		<b>76,168</b>	67,596
<b>Total equity</b>		<b>3,042,566</b>	2,901,045

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June, 2007

	Share capital HK\$'000	Share premium HK\$'000	Translation reserve HK\$'000	Special reserve HK\$'000	Assets revaluation reserve HK\$'000	Revaluation reserve HK\$'000	Retained profits HK\$'000	Total equity attributable to equity holders of the Company HK\$'000	Minority interests HK\$'000	Total equity HK\$'000
At 1st January, 2006	79,312	731,906	25,381	(29,530)	2,319	—	1,800,424	2,609,812	62,389	2,672,201
Exchange difference arising on translation of foreign operations	—	—	(8)	—	—	—	—	(8)	—	(8)
Share of reserves of associates	—	—	1,751	—	—	(669)	—	1,082	—	1,082
Net income (expense) recognised directly in equity	—	—	1,743	—	—	(669)	—	1,074	—	1,074
Profit for the period	—	—	—	—	—	—	106,724	106,724	11,217	117,941
Total recognised income and expense for the period	—	—	1,743	—	—	(669)	106,724	107,798	11,217	119,015
Capital contribution from minority shareholder	—	—	—	—	—	—	—	—	2,500	2,500
Dividends paid	—	—	—	—	—	—	(71,381)	(71,381)	—	(71,381)
At 30th June, 2006	79,312	731,906	27,124	(29,530)	2,319	(669)	1,835,767	2,646,229	76,106	2,722,335
At 1st January, 2007	79,312	731,906	105,372	(29,530)	2,319	—	1,944,070	2,833,449	67,596	2,901,045
Share of reserves of associates recognised directly in equity	—	—	30,205	—	—	—	—	30,205	—	30,205
Profit for the period	—	—	—	—	—	—	150,307	150,307	10,757	161,064
Total recognised income for the period	—	—	30,205	—	—	—	150,307	180,512	10,757	191,269
Exercise of preference shares of a subsidiary	—	—	—	—	—	—	—	—	(3,050)	(3,050)
Forfeiture of share options issued by an associate	—	—	—	—	—	—	24	24	—	24
Disposal of partial interest in a subsidiary	—	—	—	—	—	—	—	—	865	865
Dividends paid	—	—	—	—	—	—	(47,587)	(47,587)	—	(47,587)
<b>At 30th June, 2007</b>	<b>79,312</b>	<b>731,906</b>	<b>135,577</b>	<b>(29,530)</b>	<b>2,319</b>	<b>—</b>	<b>2,046,814</b>	<b>2,966,398</b>	<b>76,168</b>	<b>3,042,566</b>

# Condensed Consolidated Cash Flow Statement

For the six months ended 30th June, 2007

	Six months ended 30th June,	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
<b>Net cash used in operating activities</b>	<b>(20,040)</b>	(62,055)
<b>Investing activities</b>		
Distribution of profits from jointly controlled entities	<b>20,688</b>	13,264
Dividends received from associates	<b>72,042</b>	73,724
Repayment from (advances to) associates	<b>754</b>	(2)
Advances to jointly controlled entities	<b>(17,804)</b>	(13,106)
Capital contribution to a jointly controlled entity	<b>(12,197)</b>	—
Increase in investments in associates	<b>(77,709)</b>	(27,310)
Proceeds from disposal of partial interest in a subsidiary	<b>3,709</b>	—
Proceeds from disposal of property, plant and equipment	<b>3,054</b>	3,999
Expenditure on property and plant under construction	<b>—</b>	(13,287)
Purchase of property, plant and equipment	<b>(5,462)</b>	(4,350)
Repayment of finance lease receivables	<b>322</b>	418
Other investing activities	<b>(3,375)</b>	426
<b>Net cash (used in) from investing activities</b>	<b>(15,978)</b>	33,776
<b>Financing activities</b>		
New bank loans raised	<b>118,035</b>	67,000
Repayment of bank loans	<b>(17,791)</b>	(20,924)
Repayment of structured borrowing	<b>(6,240)</b>	—
Dividends paid	<b>(47,587)</b>	(71,381)
Repayment to jointly controlled entities	<b>(24,983)</b>	—
(Repayment to) advances from associates	<b>(170)</b>	3,637
Repayment to a related company	<b>(12,256)</b>	—
Capital contribution from minority shareholder of a subsidiary	<b>—</b>	2,500
Other financing activities	<b>87</b>	(10)
<b>Net cash from (used in) financing activities</b>	<b>9,095</b>	(19,178)
<b>Net decrease in cash and cash equivalents</b>	<b>(26,923)</b>	(47,457)
<b>Cash and cash equivalents at beginning of the period</b>	<b>98,089</b>	118,417
<b>Cash and cash equivalents at end of the period</b>	<b>71,166</b>	70,960
<b>Analysis of the balances of cash and cash equivalents</b>		
Bank balances and cash	<b>75,627</b>	75,350
Bank overdraft	<b>(4,461)</b>	(4,390)
	<b>71,166</b>	70,960

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2007

## 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by Hong Kong Institute of Certified Public Accountants ("HKICPA").

## 2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2006.

In the current period, the Group has applied, for the first time, the following new standard, amendment and interpretations ("new HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning on 1st January, 2007.

HKAS 1 (Amendment)	Capital disclosures <sup>1</sup>
HKFRS 7	Financial instruments: disclosures <sup>1</sup>
HK(IFRIC) — INT 7	Applying the restatement approach under HKAS 29 Financial reporting in hyperinflationary economies <sup>2</sup>
HK(IFRIC) — INT 8	Scope of HKFRS 2 <sup>3</sup>
HK(IFRIC) — INT 9	Reassessment of embedded derivatives <sup>4</sup>
HK(IFRIC) — INT 10	Interim financial reporting and impairment <sup>5</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st January, 2007.

<sup>2</sup> Effective for annual periods beginning on or after 1st March, 2006.

<sup>3</sup> Effective for annual periods beginning on or after 1st May, 2006.

<sup>4</sup> Effective for annual periods beginning on or after 1st June, 2006.

<sup>5</sup> Effective for annual periods beginning on or after 1st November, 2006.

## 2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

The adoption of these new HKFRSs had no material effect on the results or financial position for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the following new standards and interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards and interpretations will have no material impact on the results and the financial position of the Group.

HKAS 23 (Revised)	Borrowing costs <sup>1</sup>
HKFRS 8	Operating segments <sup>1</sup>
HK(IFRIC) — INT 11	HKFRS 2 — Group and treasury share transactions <sup>2</sup>
HK(IFRIC) — INT 12	Service concession arrangements <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st January, 2009.

<sup>2</sup> Effective for annual periods beginning on or after 1st March, 2007.

<sup>3</sup> Effective for annual periods beginning on or after 1st January, 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 are still not yet in the position to reasonably estimate the impact that may arise on the Group's results and financial position from adoption of this interpretation. The directors of the Company anticipate that the application of the remaining standards or interpretation will have no material impact on the results and the financial position of the Group.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2007

## 3. TURNOVER

	Six months ended 30th June,	
	2007 HK\$'000	2006 HK\$'000
Group turnover	447,038	300,604
Share of turnover of jointly controlled entities	169,020	158,108
Group turnover and share of turnover of jointly controlled entities	616,058	458,712
Group turnover analysed by revenue from:		
Civil construction	421,036	281,008
Quarrying	18,943	18,287
Others	7,059	1,309
	447,038	300,604

## 4. SEGMENTAL INFORMATION

For management purposes, the Group classifies its businesses into four 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

Highway and expressway operations and property development (operated through an associate of the Group)

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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2007

## 4. SEGMENTAL INFORMATION (Cont'd)

The Group's turnover and profit for the six months ended 30th June, 2007 and 30th June, 2006 by business segment are as follows:

	Civil construction HK\$'000	Quarrying HK\$'000	Bio- technology HK\$'000	Highway and expressway operations and property development HK\$'000	Others HK\$'000	Elimination HK\$'000	Total HK\$'000
<b>Six months ended 30th June, 2007</b>							
<b>Turnover</b>							
Group turnover	421,036	18,943	–	–	7,059	–	447,038
Add: Inter-segment sales	–	(40)	–	–	–	40	–
Segment turnover	421,036	18,903	–	–	7,059	40	447,038
Inter-segment sales are charged at prevailing market rates.							
<b>Results</b>							
Segment results	(14,719)	2,449	(5,426)	–	4,625		(13,071)
Investment income, gains and losses							57,632
Unallocated net expenses							(13,161)
Finance costs							(9,867)
Share of results of associates	–	–	–	117,403	(4,832)		112,571
Share of results of jointly controlled entities	6,957	–	–	–	–		6,957
Net gain on deemed disposals of partial interest in an associate	–	–	–	27,393	–		27,393
Profit before taxation							168,454
Income tax expense							(7,390)
Profit for the period							161,064

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2007

## 4. SEGMENTAL INFORMATION (Cont'd)

	Civil construction HK\$'000	Quarrying HK\$'000	Bio- technology HK\$'000	Highway and expressway operations and property development HK\$'000	Others HK\$'000	Elimination HK\$'000	Total HK\$'000
<b>Six months ended</b>							
<b>30th June, 2006</b>							
<b>Turnover</b>							
Group/Segment turnover	281,008	18,287	—	—	1,309	—	300,604
<b>Results</b>							
Segment results	(4,229)	8,804	(5,474)	—	4,412		3,513
Investment income, gains and losses							21,310
Unallocated net expenses							(7,383)
Finance costs							(4,159)
Share of results of associates	215	—	—	113,043	(728)		112,530
Share of results of jointly controlled entities	12,591	—	—	—	—		12,591
Discount on acquisition of additional interest in an associate	—	—	—	1,336	—		1,336
Loss on deemed disposals of partial interest in an associate	—	—	—	(18,074)	—		(18,074)
Profit before taxation							121,664
Income tax expense							(3,723)
Profit for the period							117,941

There were no inter-segment sales for the six months ended 30th June, 2006.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2007

## 5. OTHER INCOME

	Six months ended 30th June,	
	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Other income includes the following:		
Interest on bank deposits	338	426
Interest on loans receivable	2,075	—
Discount on acquisition of additional interest in a subsidiary	3,050	—
Gain on disposal of partial interest in a subsidiary	2,418	—
Gain on disposal of property, plant and equipment, net	2,754	9,534
Reversal of impairment loss on property, plant and equipment	—	5,500

## 6. INVESTMENT INCOME, GAINS AND LOSSES

	Six months ended 30th June,	
	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Dividend income from held-for-trading investments	1,281	993
Change in fair value of held-for-trading investments	58,751	23,681
Impairment loss on available-for-sale investments	(2,400)	(4,012)
Gain on disposal of commodity assets	—	648
	<b>57,632</b>	<b>21,310</b>

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2007

## 7. FINANCE COSTS

	Six months ended 30th June,	
	2007 HK\$'000	2006 HK\$'000
Interest on:		
Bank and other borrowings wholly repayable within five years	9,796	4,546
Imputed interest expense on non-current interest free amount due to an associate	—	176
Interest bearing amount due to an associate	71	79
	<b>9,867</b>	4,801
Less: amount capitalised in property and plant under construction	—	(642)
	<b>9,867</b>	4,159

## 8. DISCOUNT ON ACQUISITION OF ADDITIONAL INTEREST IN AN ASSOCIATE

During the period ended 30th June, 2006, the Group acquired, in aggregate, an additional 0.5% of the issued share capital of an associate, Road King Infrastructure Limited ("Road King"), at a consideration of HK\$27,310,000, while the carrying value of the Group's share of the identifiable assets and liabilities of the associate at the respective dates of acquisition attributed to the acquired interest, in aggregate, amounted to HK\$28,646,000. The excess of the carrying value over the cost of acquisition is credited to the condensed consolidated income statement.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2007

## 9. NET GAIN (LOSS) ON DEEMED DISPOSALS OF PARTIAL INTEREST IN AN ASSOCIATE

	Six months ended 30th June,	
	2007 HK\$'000	2006 HK\$'000
Gain (loss) on deemed disposals of partial interest in an associate arising from:		
Placement of new shares	41,482	—
Exercise of options granted to its directors and employees	(14,089)	(18,074)
	<b>27,393</b>	(18,074)

During the period, the Group's associate, Road King, issued 45,000,000 (six months ended 30th June, 2006: nil) ordinary shares at the weighted average price of HK\$12.2 per share by respective placements to various investors, and also issued 10,894,000 (six months ended 30th June, 2006: 11,698,000) ordinary shares at the weighted average price of HK\$6.38 (six months ended 30th June, 2006: HK\$5.55) 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% (six months ended 30th June, 2006: 0.9%) resulting in a total net gain of HK\$27,393,000 (six months ended 30th June, 2006: net loss of HK\$18,074,000).

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2007

## 10. PROFIT BEFORE TAXATION

	Six months ended 30th June,	
	2007 HK\$'000	2006 HK\$'000
Profit before taxation has been arrived at after charging (crediting):		
Depreciation	8,057	5,566
Allowance for doubtful debts	1,187	—
Amortisation of prepaid lease payments on land use rights	82	33
Share of tax charge (credit) of associates (included in share of results of associates)	12,475	(1,266)
Share of tax (credit) charge of jointly controlled entities (included in share of results of jointly controlled entities)	(1,069)	1,076

## 11. INCOME TAX EXPENSE

	Six months ended 30th June,	
	2007 HK\$'000	2006 HK\$'000
Income tax for the period		
Hong Kong	7,564	3,614
Other jurisdictions	109	111
Overprovision in prior years		
Hong Kong	(283)	—
Other jurisdictions	—	(2)
	7,390	3,723

Hong Kong Profits Tax is calculated at 17.5% on the estimated assessable profit for both periods.

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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2007

## 12. DIVIDENDS

	Six months ended 30th June,	
	2007 HK\$'000	2006 HK\$'000
Final dividend paid for the year ended 31st December, 2006: HK6 cents (year ended 31st December, 2005: HK9 cents) per share	<b>47,587</b>	71,381

An interim dividend for the six months ended 30th June, 2007 of HK6 cents (six months ended 30th June, 2006: HK6 cents) per ordinary share amounting to approximately HK\$47,588,000 (six months ended 30th June, 2006: HK\$47,588,000) was approved by the board of directors on 16th August, 2007. This interim dividend has not been included as a liability in these condensed consolidated financial statements.

## 13. 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:

	Six months ended 30th June,	
	2007 HK\$'000	2006 HK\$'000
Earnings for the purposes of basic earnings per share	<b>150,307</b>	106,724
Effect of dilutive potential ordinary shares:		
Decrease in share of profit of an associate arising from exercise of share options issued by that associate	<b>(2,051)</b>	(1,594)
Earnings for the purposes of diluted earnings per share	<b>148,256</b>	105,130
	<b>Number of shares</b>	
Number of ordinary shares for the purpose of basic earnings per share and diluted earnings per share	<b>793,124,034</b>	793,124,034

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2007

## 14. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group invested in HK\$5,462,000 (six months ended 30th June, 2006: HK\$16,995,000) on property, plant and equipment.

## 15. GOODWILL

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

## 16. INTERESTS IN ASSOCIATES

The amount represents mainly the equity interests in Road King.

## 17. PREPAID ROYALTIES

Prepaid royalties are analysed as follows:

	<b>30th June, 2007 HK\$'000</b>	31st December, 2006 HK\$'000
Within one year	<b>2,840</b>	3,545
In the second to fifth year inclusive	<b>37,141</b>	37,856
	<b>39,981</b>	41,401
<i>Less: Allowance</i>	<b>(34,000)</b>	(34,000)
	<b>5,981</b>	7,401
<i>Less: Amount recoverable within one year shown under current assets</i>	<b>(2,840)</b>	(3,545)
Amount recoverable after one year	<b>3,141</b>	3,856

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2007

## 18. DEBTORS, DEPOSITS AND PREPAYMENTS

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.

	<b>30th June, 2007 HK\$'000</b>	31st December, 2006 HK\$'000
Trade debtors (age analysis):		
0 to 60 days	<b>221,573</b>	186,401
61 to 90 days	<b>155</b>	126
Over 90 days	<b>7,591</b>	5,316
	<b>229,319</b>	191,843
Retentions receivable	<b>29,747</b>	19,814
Loans receivable ( <i>Note</i> )	<b>39,037</b>	81,069
Other debtors, deposits and prepayments	<b>57,216</b>	52,885
	<b>355,319</b>	345,611

*Note:* At 30th June, 2007, loans receivable included cash advance of HK\$36,037,000 to Sunco Real Estate Investment Limited ("Sunco B"), which is controlled by a shareholder of Sunco Property Holdings Company Limited (formerly known as Sunco Binhai Land Limited) ("Sunco A"). The loan carried interest at 12% per annum and will be repaid within one year.

At 31st December, 2006, the Group made cash advances of HK\$45,032,000 and HK\$36,037,000 to Sunco A and Sunco B respectively. The advance to Sunco A has been fully repaid upon completion of the Group's subscription of 5% of the enlarged issued share capital of Sunco A in January 2007. These loans carried interest at 12% per annum.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2007

## 19. HELD-FOR-TRADING INVESTMENTS

	<b>30th June, 2007</b>	31st December, 2006
	<b>HK\$'000</b>	HK\$'000
Held-for-trading investments at fair values:		
Equity securities listed in Hong Kong at quoted market bid prices	<b>151,411</b>	102,467

At 30th June, 2007, certain listed equity securities with market value of HK\$45,540,000 (at 31st December, 2006: HK\$41,596,000) were pledged to a bank to secure general banking facilities granted to the Group.

Even certain equity securities were pledged to the bank, the Company's directors believe that the pledged securities can be released by the bank within a short period of time upon the Group's request for the purpose of trading. Accordingly, these equity securities are classified as held-for-trading investments as of the balance sheet date.

## 20. CREDITORS AND ACCRUED CHARGES

	<b>30th June, 2007</b>	31st December, 2006
	<b>HK\$'000</b>	HK\$'000
Trade creditors (age analysis):		
0 to 60 days	<b>44,539</b>	28,835
61 to 90 days	<b>5,668</b>	12,738
Over 90 days	<b>10,686</b>	16,766
	<b>60,893</b>	58,339
Retentions payable	<b>28,823</b>	22,878
Accrued project costs	<b>100,380</b>	112,038
Other creditors and accrued charges	<b>86,700</b>	88,366
	<b>276,796</b>	281,621

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2007

## 21. AMOUNT DUE TO A RELATED COMPANY

The related company is a subsidiary of one of the Company's substantial shareholders. The amount is unsecured, carries interest at prime rate of 7.75% (at 31 December, 2006: 7.75%) per annum and is repayable on demand.

## 22. BANK LOANS

	<b>30th June, 2007</b>	31st December, 2006
	<b>HK\$'000</b>	HK\$'000
The maturity of the bank loans is as follows:		
Within one year	<b>251,267</b>	170,602
In the second year	<b>33,607</b>	36,294
In the third to fifth year inclusive	<b>54,890</b>	32,624
	<b>339,764</b>	239,520
Less: Amount due within one year shown under current liabilities	<b>(251,267)</b>	(170,602)
Amount due after one year	<b>88,497</b>	68,918
Secured	<b>118,013</b>	68,000
Unsecured	<b>221,751</b>	171,520
	<b>339,764</b>	239,520

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2007

## 23. STRUCTURED BORROWING

	<b>30th June, 2007</b>	31st December, 2006
	<b>HK\$'000</b>	HK\$'000
Structured borrowing, classified as:		
Current ( <i>note a and b</i> )	<b>12,480</b>	12,480
Non-current ( <i>note a</i> )	<b>56,928</b>	60,789
	<b>69,408</b>	73,269

*Notes:*

- (a) 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.
- (b) The current portion represents the minimum amount repayable to the bank within one year.

The entire combined contract was measured at fair value as estimated using discounted cash flow analysis and the applicable yield curve at each balance sheet date and change in its fair value of HK\$2,379,000 (six months ended 30th June, 2006: nil) has been charged to the condensed consolidated income statement.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2007

## 24. OBLIGATIONS IN EXCESS OF INTERESTS IN ASSOCIATES

	<b>30th June, 2007 HK\$'000</b>	31st December, 2006 HK\$'000
Cost of investment in unlisted associates	4	4
Share of post-acquisition losses	<b>(22,048)</b>	(22,048)
	<b>(22,044)</b>	(22,044)

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

## 25. COMMITMENTS

At 31st December, 2006, the Group had committed to increase investment of HK\$11,952,000 in a joint venture established in the People's Republic of China (the "PRC"). The joint venture is principally engaged in civil engineering activities in the PRC.

At 30th June, 2007, the Group had not committed to invest in any joint venture.

## 26. PLEDGE OF ASSETS

Other than disclosed in note 19, at 30th June, 2007, bank deposits amounting to HK\$10,430,000 (at 31st December, 2006: HK\$6,692,000) of the Group 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. In addition, prepaid lease payment on land use rights and building with an aggregate carrying value of HK\$6,950,000 (at 31st December, 2006: HK\$7,081,000) were pledged to secure the banking facilities granted to the Group.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2007

## 27. CONTINGENT LIABILITIES

	<b>30th June, 2007</b>	31st December, 2006
	<b>HK\$'000</b>	HK\$'000
Guarantees/counter indemnities given in respect of outstanding tender/performance/retention bonds for construction contracts	<b>118,540</b>	66,868

## 28. RELATED PARTY BALANCES AND TRANSACTIONS

	<b>Six months ended 30th June,</b>	
	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
<b>Associates</b>		
Interest paid	<b>71</b>	79
<b>Jointly controlled entities</b>		
Management service income	—	1,657
Plant hire income	—	4,534
<b>Compensation of key management personnel</b>		
Short-term employee benefits	<b>11,226</b>	9,700
Post-employment benefits	<b>798</b>	313
	<b>12,024</b>	10,013

The amounts due from/to related parties are set out in the condensed consolidated balance sheet and note 21.

## EXECUTIVE DIRECTORS

ZEN Wei Pao, William (*Chairman*)  
ZEN Wei Peu, Derek (*Vice Chairman*)  
WONG Wing Cheung, Dennis (*Finance Director*)  
CHIU Wai Yee, Anriena

## NON-EXECUTIVE DIRECTORS

LAM Wai Hon, Patrick  
CHU Tat Chi  
CHENG Chi Pang, Leslie

## INDEPENDENT NON-EXECUTIVE DIRECTORS

WONG Che Ming, Steve  
WAN Siu Kau, Samuel  
WONG Man Chung, Francis

## AUDIT COMMITTEE

WONG Man Chung, Francis (*Chairman*)  
WONG Che Ming, Steve  
WAN Siu Kau, Samuel

## REMUNERATION COMMITTEE

WAN Siu Kau, Samuel (*Chairman*)  
WONG Che Ming, Steve  
WONG Man Chung, Francis  
ZEN Wei Pao, William  
ZEN Wei Peu, Derek

## AUDITORS

Deloitte Touche Tohmatsu

## SOLICITORS

Richards Butler  
Sidley Austin Brown & Wood  
Conyers, Dill & Pearman

## PRINCIPAL BANKERS

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

## QUALIFIED ACCOUNTANT

WONG Wing Cheung, Dennis

## COMPANY SECRETARY

CHIU Wai Yee, Anriena

## REGISTERED OFFICE

Clarendon House  
Church Street  
Hamilton HM 11  
Bermuda

## PRINCIPAL PLACE OF BUSINESS

Unit 702B, 7th Floor  
East Ocean Centre  
98 Granville Road  
Tsimshatsui  
Kowloon  
Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Bermuda) Limited  
Rosebank Centre  
11 Bermudiana Road  
Pembroke HM 08  
Bermuda

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

## STOCK CODE

The Stock Exchange of Hong Kong Limited – 610