



**TO THE SHAREHOLDERS OF WAI KEE HOLDINGS LIMITED**

*(incorporated in Bermuda with limited liability)*

We have audited the consolidated financial statements of Wai Kee Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 49 to 141, which comprise the consolidated balance sheet as at 31st December, 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

**Directors' responsibility for the consolidated financial statements**

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## **Auditor's responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31st December, 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Without qualifying our opinion we draw attention to note 24(c) to the consolidated financial statements. Road King Infrastructure Limited ("Road King"), a significant associate of the Group, currently has not obtained effective control over 天津順馳新地置業有限公司 and 天津順馳融信置地有限公司 (collectively referred to as the "Tianjin Companies") despite the fact that the board of directors of the Tianjin Companies was appointed by Road King, due to the circumstances described in note 24(c), and accordingly, Road King has not accounted for the Tianjin Companies as subsidiaries of Road King. Road King has commenced legal proceedings against the former major shareholder and former management of the Tianjin Companies with a view to obtain effective control over these companies. The date of hearing has not been fixed at the date of this report. As stated in the consolidated financial statements of Road King, the directors of Road King, based on advices of the People's Republic of China legal adviser, are of the firm belief that the court ruling will be favourable to Road King and accordingly, Road King can assume effective control over the Tianjin Companies in the foreseeable future. However, as the eventual outcome of the court proceedings cannot be determined with certainty, there exist uncertainties which may affect the following:

- Road King being unable to obtain effective control over the Tianjin Companies or otherwise realise the underlying properties of the Tianjin Companies, thereby impacting the recoverability of Road King's investments in these companies amounting to HK\$592,821,000.
- The banks seeking payment from Road King in relation to credit facilities to the Tianjin Companies amounting to HK\$315,789,000 as at 31st December 2007 which has been guaranteed by Road King as described in note 24(c), in the event that the Tianjin Companies are not in a position to repay the credit facilities by the maturity date in July 2008.

Other than the fair value of the guarantees amounting to HK\$22,000,000 as at the date the guarantee was initially given, no provision for any liability or impairment that may result has been made in Road King's consolidated financial statements.

The uncertainties described above may affect the recoverability of the carrying amount of the Group's interests in associates. No provision for any impairment in the carrying value of the Group's interests in associates has been made in the consolidated financial statements.

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

8th April, 2008