



# WAI KEE HOLDINGS LIMITED

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 610)**

## FINAL RESULTS

**YEAR ENDED 31ST DECEMBER, 2007**

### **Financial Performance Highlights**

Group revenue and share of revenue of jointly controlled entities	<b>HK\$1,360 million</b>
Profit attributable to equity holders	<b>HK\$326 million</b>
Basic earnings per share	<b>HK41.12 cents</b>
Final dividend per share	<b>HK6 cents</b>
Equity attributable to equity holders per share	<b>HK\$4.10</b>

## RESULTS

The board of directors (the “Board”) of Wai Kee Holdings Limited (the “Company”) announces the audited results of the Company and its subsidiaries (the “Group”) for the year ended 31st December, 2007 as follows:

### CONSOLIDATED INCOME STATEMENT

*For the year ended 31st December, 2007*

	<i>Notes</i>	<b>2007</b> <b>HK\$'000</b>	2006 <i>HK\$'000</i>
Group revenue	2	<b>873,090</b>	678,236
Cost of sales		<b>(838,118)</b>	(636,763)
Gross profit		<b>34,972</b>	41,473
Other income	4	<b>31,055</b>	26,967
Investment income, gains and losses	5	<b>49,264</b>	35,707
Distribution costs		<b>(9,359)</b>	(5,516)
Administrative expenses		<b>(117,214)</b>	(119,782)
Impairment loss recognised in respect of property, plant and equipment		<b>(9,000)</b>	(15,000)
Change in fair value of structured borrowing		<b>6,539</b>	(10,869)
Finance costs	6	<b>(21,657)</b>	(10,811)
Discount on acquisition of additional interest in an associate		—	1,323
Net gain on deemed disposals of partial interest in an associate	7	<b>23,159</b>	36,085
Share of results of associates		<b>319,874</b>	285,050
Share of results of jointly controlled entities		<b>29,045</b>	26,860
Profit before tax	8	<b>336,678</b>	291,487
Income tax expense	9	<b>(6,834)</b>	(25,948)
Profit for the year		<b>329,844</b>	265,539
Attributable to:			
Equity holders of the Company		<b>326,095</b>	262,615
Minority interests		<b>3,749</b>	2,924
Profit for the year		<b>329,844</b>	265,539
Dividends	10	<b>95,175</b>	118,969
Earnings per share	11	<b>HK cents</b>	HK cents
— Basic		<b>41.12</b>	33.11
— Diluted		<b>40.65</b>	32.53

## CONSOLIDATED BALANCE SHEET

As at 31st December, 2007

	Note	2007 HK\$'000	2006 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		71,294	83,385
Prepaid lease payments on land use rights		5,602	5,492
Intangible assets		32,858	32,858
Goodwill		35,473	35,950
Interests in associates	12	3,286,397	2,707,601
Interests in jointly controlled entities		82,949	60,869
Available-for-sale investments		—	3,127
Prepaid royalties		2,621	3,856
		<u>3,517,194</u>	<u>2,933,138</u>
<b>Current assets</b>			
Prepaid lease payments on land use rights		127	165
Available-for-sale investments		—	2,400
Prepaid royalties		2,840	3,545
Finance lease receivables		271	660
Inventories		20,250	19,880
Amounts due from customers for contract work		80,322	57,695
Debtors, deposits and prepayments		288,448	345,611
Amounts due from associates		575	2,017
Amounts due from jointly controlled entities		14,732	14,129
Tax recoverable		2,673	15,700
Held-for-trading investments		122,729	102,467
Pledged bank deposits		2,058	6,692
Bank balances and cash		86,377	98,089
		<u>621,402</u>	<u>669,050</u>
<b>Current liabilities</b>			
Amounts due to customers for contract work		19,889	1,094
Creditors and accrued charges		283,764	281,621
Amounts due to jointly controlled entities		3,974	29,350
Amounts due to associates		7,682	7,908
Amount due to a related company		452	12,256
Amounts due to minority shareholders		3,359	2,548
Tax liabilities		12,496	9,041
Other borrowings — due within one year		21,697	17
Bank loans — due within one year		298,189	170,602
Structured borrowing		12,480	12,480
Bank overdrafts, secured		2,110	—
		<u>666,092</u>	<u>526,917</u>
<b>Net current (liabilities) assets</b>		<u>(44,690)</u>	<u>142,133</u>

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
<b>Total assets less current liabilities</b>	<b>3,472,504</b>	<b>3,075,271</b>
<b>Non-current liabilities</b>		
Deferred tax liabilities	5,921	5,750
Obligations in excess of interest in associates	21,910	22,044
Loan from a shareholder	30,000	—
Loans from minority shareholders	960	960
Amount due to an associate	10,686	11,689
Amounts due to jointly controlled entities	4,067	4,067
Other borrowings	82	9
Bank loans	36,394	68,918
Structured borrowing	41,770	60,789
	<b>151,790</b>	<b>174,226</b>
<b>Total net assets</b>	<b>3,320,714</b>	<b>2,901,045</b>
<b>Capital and reserves</b>		
Share capital	79,312	79,312
Share premium and reserves	3,169,848	2,754,137
Equity attributable to equity holders of the Company	3,249,160	2,833,449
Minority interests	71,554	67,596
<b>Total equity</b>	<b>3,320,714</b>	<b>2,901,045</b>

*Notes:*

## 1. Application of New And Revised Hong Kong Financial Reporting Standards

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

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

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

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

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

HKAS 1 (Revised)	Presentation of Financial Statements <sup>1</sup>
HKAS 23 (Revised)	Borrowing Costs <sup>1</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>2</sup>
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations <sup>1</sup>
HKFRS 3 (Revised)	Business Combinations <sup>2</sup>
HKFRS 8	Operating Segments <sup>1</sup>
HK(IFRIC) — Int 11	HKFRS 2: Group and Treasury Share Transactions <sup>3</sup>
HK(IFRIC) — Int 12	Service Concession Arrangements <sup>4</sup>
HK(IFRIC) — Int 13	Customer Loyalty Programmes <sup>5</sup>
HK(IFRIC) — Int 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction <sup>4</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 July, 2009

<sup>3</sup> Effective for annual periods beginning on or after 1st March, 2007

<sup>4</sup> Effective for annual periods beginning on or after 1st January, 2008

<sup>5</sup> Effective for annual periods beginning on or after 1st July, 2008

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

## 2. Revenue

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

## 3. Segmental Information

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

	Civil construction HK\$'000	Quarrying HK\$'000	Bio- technology HK\$'000	Property development HK\$'000	Highway and expressway operations HK\$'000	Others HK\$'000	Elimination HK\$'000	Total HK\$'000
<b>Year ended 31st December, 2007</b>								
<b>Revenue</b>								
Group revenue	799,886	29,496	35,240	—	—	8,468	—	873,090
Inter-segment sales	—	40	—	—	—	—	(40)	—
Segment revenue	<u>799,886</u>	<u>29,536</u>	<u>35,240</u>	<u>—</u>	<u>—</u>	<u>8,468</u>	<u>(40)</u>	<u>873,090</u>
Inter-segment sales are charged at prevailing market rates.								
<b>Results</b>								
Segment results	<u>(35,132)</u>	<u>4,104</u>	<u>(19,339)</u>	<u>—</u>	<u>—</u>	<u>8,550</u>		<u>(41,817)</u>
Investment income, gains and losses								49,264
Unallocated net expenses								(21,190)
Finance costs								(21,657)
Share of results of associates	134	—	—	150,725	178,334	(9,319)		319,874
Share of results of jointly controlled entities	29,045	—	—	—	—	—		29,045
Net gain on deemed disposals of partial interest in an associate								23,159
Profit before tax								336,678
Income tax expense								(6,834)
Profit for the year								<u>329,844</u>

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

#### 4. Other Income

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

## 5. Investment Income, Gains and Losses

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

## 6. Finance Costs

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

## 7. Net Gain on Deemed Disposals of Partial Interest in an Associate

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

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



## 8. Profit Before Tax

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Profit before tax has been arrived at after charging (crediting):		
Allowance for doubtful debts	1,247	1,602
Amortisation of prepaid lease payments on land use rights	122	159
Auditor's remuneration:		
Provision for the current year	3,282	3,257
(Over)underprovision in prior years	(196)	152
	<u>3,086</u>	<u>3,409</u>
Bad debts written off	1,517	—
Depreciation:		
Owned assets	16,232	16,429
Assets held under finance lease and sale and leaseback arrangement	18	26
	<u>16,250</u>	<u>16,455</u>
<i>Less:</i> Amount attributable to construction contracts	(25)	(897)
	<u>16,225</u>	<u>15,558</u>
Hire charges for plant and machinery	29,848	41,227
<i>Less:</i> Amount attributable to construction contracts	(29,341)	(41,227)
	<u>507</u>	<u>—</u>
Impairment of property, plant and equipment	9,000	15,000
Operating lease rentals in respect of land and buildings	7,231	5,995
<i>Less:</i> Amount attributable to construction contracts	(450)	(68)
	<u>6,781</u>	<u>5,927</u>
Share of tax charge of associates (included in share of results of associates)	135,743	35,115
Share of tax (credit) charge of jointly controlled entities (included in share of results of jointly controlled entities)	(3,297)	1,790
Staff costs:		
Directors' remuneration	13,449	14,460
Other staff costs	215,302	170,344
Retirement benefits scheme contributions, excluding amounts included in directors' remuneration and net of forfeited contributions of HK\$523,000 (2006: HK\$373,000)	10,805	9,130
Share-based payments (exclude directors)	449	—
	<u>240,005</u>	<u>193,934</u>
<i>Less:</i> Amount attributable to construction contracts	(156,507)	(117,927)
	<u>83,498</u>	<u>76,007</u>
Write-down of inventories	<u>—</u>	<u>4,731</u>

## 9. Income Tax Expense

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

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

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

## 10. Dividends

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

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

## 11. Earnings Per Share

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

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Earnings for the purpose of basic earnings per share	326,095	262,615
Effect of dilutive potential ordinary shares:		
Decrease in share of profit of an associate arising from exercise of share options issued by that associate	<u>(3,694)</u>	<u>(4,605)</u>
Earnings for the purpose of diluted earnings per share	<u>322,401</u>	<u>258,010</u>
	<b>Number of shares</b>	
Number of ordinary shares for the purpose of basic earnings per share and diluted earnings per share	<u>793,124,034</u>	<u>793,124,034</u>

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

## 12. Interests in Associates

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

After completion of the equity transaction in Sunco Property in July 2007, Road King was unexpectedly not able to obtain effective control over Tianjin Companies.

Having taken the People's Republic of China legal advice, Road King initiated civil proceedings in Tianjin District People's Court to enforce its right. As Road King has strong evidence in support of the claim, Road King believes that it will be able to assume control of the companies as well as the assets thereof. Road King is now pushing for a court hearing date to be fixed.

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

The audit opinion for the consolidated financial statements of the Group for the year ended 31st December, 2007 has been modified in connection with the captioned issue and is extracted in the paragraph headed “Summary of Auditor’s Opinion” in this announcement.

## **DIVIDENDS**

The Board recommends the payment of a final dividend of HK6 cents (2006: HK6 cents) per share payable to shareholders whose names appear in the Register of Members of the Company on 26th May, 2008. This dividend together with the interim dividend of HK6 cents (2006: HK6 cents) per share paid during the year represent total dividend distributions of HK12 cents (2006: HK12 cents) per share for the year ended 31st December, 2007.

Subject to the approval of shareholders at the forthcoming annual general meeting, final dividend warrants are expected to be despatched to the shareholders on or before 12th June, 2008.

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members of the Company will be closed from Wednesday, 21st May, 2008 to Monday, 26th May, 2008, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfers 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 Tuesday, 20th May, 2008.

## **SUMMARY OF AUDITOR’S OPINION**

In the modified auditor’s report, the auditor has included the following paragraphs in the auditor’s opinion to draw the shareholders’ attention:

“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."

## **BUSINESS REVIEW**

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

### **Highway and Expressway Operations and Property Development**

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

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

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

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

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

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

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

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

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

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

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

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

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

## **Civil Construction**

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

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

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

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

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

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

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

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

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

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

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

## **Quarrying**

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

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

As explained in the above section, despite Government announcement of substantially increasing investment into infrastructure, there is no sign of any meaningful improvement in the construction market in 2008, but second half of 2009 will be a different matter, so let's hope the Group is about to see the end of the tunnel. In the meanwhile, the division needs to keep costs low (difficult in view of the rising oil price), and wait for market recovery. As always, should the operating environment improves or should right



opportunities come along, the Company will not hesitate to make new investment, provided that it is certain of the long term prospect of the business.

### **Bio-technology**

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

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

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

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

### **North America Ginseng (“NAG”)**

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

The ginseng harvest in 2007 was about 919,000 lbs (2006: 800,000 lbs), representing about 15% of total world production of NAG. Over 95% of NAG was sold to China market. As explained last year, in growing NAG, the three most important metric to look at are the selling price; yield per acre; and the percentage of rust for each year’s harvest. The selling price is entirely market dependent. In 2007, the average selling price is around C\$8/lb (2006: C\$6/lb). Although the figure shows an improvement,

however, this is still way above the production cost of C\$12/lb due to the low yield of 2,767 lbs/acre (2006: 2,576 lbs/acre), and the high percentage of rust of 30% (2006: 31%), which is the highest amongst all NAG given. Unfortunately, ginseng once planted, takes four years to grow full size, and any remedy action could only be really effective on the newly planted and hence will take four years for the improved result to be observed.

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

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

## FINANCIAL REVIEW

### Liquidity and Financial Resources

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

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

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

	<b>As at 31st December,</b>	
	<b>2007</b>	2006
	<i>HK\$' million</i>	<i>HK\$' million</i>
Within one year	<b>335</b>	195
In the second year	<b>17</b>	49
In the third to fifth year inclusive	<b>91</b>	81
	<u><b>443</b></u>	<u>325</u>

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

- (b) Included a contract of structured borrowing with a bank of HK\$54 million (2006: HK\$73 million) that was designated as at fair value through profit or loss upon initial recognition and is measured at fair value with reference to the value quoted by the bank at 31st December, 2007. As at 31st December, 2007, change in its fair value as compared with the net amount of the upfront payment received less the repayment made was HK\$4 million (2006: HK\$11 million). Decrease in its fair value of HK\$7 million during the year has been credited to the consolidated income statement. The structured borrowing is denominated in United States dollars.
- (c) Included a margin loan of HK\$22 million (2006: nil) secured by certain shares of Road King.

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

As at 31st December, 2007, the Group's cash and bank balances amounted to HK\$88 million (2006: HK\$105 million), of which bank deposits amounting to HK\$2 million (2006: HK\$7 million) were pledged to banks for the purpose of satisfying the terms and conditions of certain construction contracts entered into by the Group and securing the banking facilities granted to the Group.

The Group recorded finance expenses for the year ended 31st December, 2007 of HK\$22 million (2006: HK\$11 million).

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

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

### **Capital Structure and Gearing Ratio**

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

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

## **Contingent Liabilities**

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

## **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.

## **FUTURE OUTLOOK**

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

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

## **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.

## **CORPORATE GOVERNANCE**

The Company is committed to attaining good standard of corporate governance practices.

The Company has adopted the code provisions of the Code on Corporate Governance Practices (the "Code") set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") as its own code and has complied with the Code throughout the year ended 31st December, 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.

Since the role 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. None of the existing Non-executive Directors (including Independent Non-executive Director) of the Company is appointed for a specific term. However, all the Directors of the Company are subject to the retirement provisions under 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. Details of corporate governance will be set out in 2007 Annual Report.

The Audit Committee has reviewed with the Company's internal and external auditors the financial statements for the year ended 31st December, 2007 including the accounting principles and policies adopted by the Company.

### **ANNUAL GENERAL MEETING**

The Annual General Meeting of the Company will be held at Academy Room I-II, 1st Floor, InterContinental Grand Stanford Hotel, 70 Mody Road, Tsimshatsui East, Kowloon, Hong Kong on Monday, 26th May, 2008 at 10:00 a.m. and the Notice of the Annual General Meeting will be published and despatched to the shareholders in the manner as required by the Listing Rules.

### **PUBLICATION OF THE FINAL RESULTS AND ANNUAL REPORT**

This announcement will be published on the Company's website ([www.waikee.com](http://www.waikee.com)) and the Stock Exchange's website ([www.hkexnews.hk](http://www.hkexnews.hk)). The full 2007 Annual Report containing all the information required by the Listing Rules will be published on the websites of the Company and the Stock Exchange in due course.

### **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, 8th April, 2008

*As at the date of this announcement, the Board comprises four executive directors, namely Mr. William Zen Wei Pao, Mr. Derek Zen Wei Peu, Mr. Dennis Wong Wing Cheung and Miss Anriena Chiu Wai Yee, three non-executive directors, namely Mr. Patrick Lam Wai Hon, Mr. Chu Tat Chi and Dr. Leslie Cheng Chi Pang and three independent non-executive directors, namely Dr. Steve Wong Che Ming, Mr. Samuel Wan Siu Kau and Mr. Francis Wong Man Chung.*