



WING HING INTERNATIONAL (HOLDINGS) LIMITED
永興國際(控股)有限公司*

(Incorporated in Bermuda with limited liability)
(Stock Code : 621)

Interim Report **2008**



The Directors of Wing Hing International (Holdings) Limited (the "Company") are pleased to announce the unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2008.

RESULTS

For the six months ended 30 September 2008, the Group recorded a profit attributable to equity holders of the Company of approximately HK\$16,409,000 with profits of HK22.82 cents per share.

DIVIDEND

The Board of Directors has resolved not to recommend the payment of an interim dividend for the six months ended 30 September 2008.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2008

		Six months ended 30 September	
		2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Notes			
Continuing operations:			
	Revenue	285,734	327,015
	Cost of sales	<u>(304,147)</u>	<u>(305,831)</u>
	Gross (loss)/profit	(18,413)	21,184
	Other income	4,416	7,933
	Other gains and losses	72,105	(12)
	Administrative and operating expenses	<u>(16,254)</u>	<u>(14,832)</u>
	Share of (losses)/profits of jointly-controlled entities	(24,965)	250
	Share of losses of associates	–	(768)
	Finance costs	<u>(2,039)</u>	<u>(55)</u>
	Profit before tax	14,850	13,700
	Income tax credit	<u>–</u>	<u>336</u>
	Profit for the period from continuing operations	14,850	14,036
Discontinued operations:			
	Profit/(Loss) for the period from discontinued operation	<u>518</u>	<u>(3,994)</u>
	Profit for the period	<u>15,368</u>	<u>10,042</u>
Attributable to:			
	Equity holders of the Company	16,409	10,041
	Minority interests	<u>(1,041)</u>	<u>1</u>
		<u>15,368</u>	<u>10,042</u>
Earnings per share			
	From continuing and discontinued operations:		
	Basic and diluted	<u>22.82 cents</u>	<u>18.49 cents</u>
	From continuing operations:		
	Basic and diluted	<u>22.10 cents</u>	<u>25.85 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2008

	Share capital and share premium (Unaudited) HK\$'000	Other reserves (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Minority interests (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
At 1 April 2008	119,044	20,255	61,776	103,003	304,078
Issue of new shares	15,142	–	–	–	15,142
Release of reserve upon warrant expiry	–	(1,000)	1,000	–	–
Release of reserve upon disposal of subsidiaries	–	(8,712)	–	–	(8,712)
Release of reserve upon disposal of property, plant and equipment	–	(5)	5	–	–
Profit/(Loss) for the period	–	–	16,409	(1,041)	15,368
At 30 September 2008	134,186	10,538	79,190	101,962	325,876
	Share capital and share premium (Unaudited) HK\$'000	Other reserves (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Minority interests (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
At 1 April 2007	89,791	22,441	48,579	2,951	163,762
Deferred tax adjustment	–	733	–	–	733
Release of reserve upon disposal of property, plant and equipment	–	(4,192)	4,192	–	–
Profit for the period	–	–	10,041	1	10,042
At 30 September 2007	89,791	18,982	62,812	2,952	174,537

CONDENSED CONSOLIDATED BALANCE SHEET

At 30 September 2008

	Notes	30 September 2008 (Unaudited) HK\$'000	31 March 2008 (Audited) HK\$'000
NON-CURRENT ASSETS			
Investment property		–	6,500
Prepaid lease payments		187,346	190,318
Property, plant and equipment		4,209	16,594
Goodwill		89,829	89,829
Interests in jointly-controlled entities		–	14,792
Interests in associates		–	22,253
Available-for-sale investment		–	1
Amount due from an investee entity		–	53,796
Contract retention receivables	9	17,991	10,484
Deferred tax assets		189	189
Promissory note receivables		80,593	–
		380,157	404,756
CURRENT ASSETS			
Loan receivable		1,000	1,000
Trade and other receivables	9	162,735	98,496
Pledged bank deposits		24,045	21,860
Bank balances and cash		41,736	58,619
		229,516	179,975
CURRENT LIABILITIES			
Trade and other payables	10	182,454	179,217
Current tax liabilities		–	669
		182,454	179,886
NET CURRENT ASSETS			
		47,062	89
TOTAL ASSETS LESS CURRENT LIABILITIES			
		427,219	404,845
CAPITAL AND RESERVES			
Share capital	11	79,860	69,000
Reserves		144,054	132,075
Equity attributable to equity holders of the Company		223,914	201,075
Minority interests		101,962	103,003
TOTAL EQUITY			
		325,876	304,078
NON-CURRENT LIABILITIES			
Deferred tax liabilities		1,081	2,487
Promissory note payable		100,262	98,280
		101,343	100,767
		427,219	404,845

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2008

	Six months ended 30 September	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
NET CASH (USED IN)/GENERATING BY OPERATING ACTIVITIES	(85,024)	11,267
NET CASH GENERATING BY INVESTING ACTIVITIES	52,999	2,636
NET CASH GENERATING BY/(USED IN) FINANCING ACTIVITIES	15,142	(350)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(16,883)	13,553
Cash and cash equivalents at beginning of the period	58,619	33,742
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	41,736	47,295
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	41,736	47,295

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2008

1. Corporate information

The registered office of the Company is located at Canon's Court, 22 Victoria Street, Hamilton, HM12, Bermuda. The principal place of business of the Company is located at 14th Floor, Yau Lee Centre, 45 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong.

During the period ended 30 September 2008, the Group are principally engaged in (i) the undertaking of superstructure construction, foundation piling, substructure works, slope improvement, interior decoration and landscaping works in Hong Kong SAR; and (ii) the development and management of a series of sophora products and of biological vegetable oil in the People Republic of China (the "PRC").

2. Principal accounting policies

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

The interim financial statements have been prepared under the historical cost convention except for certain properties, plant and equipment and financial instruments, which are measured at revalued amounts or fair values, as appropriate. The accounting policies adopted in the preparation of the interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2008.

During this period, the Group has applied, for the first time, a number of new standards, amendments and interpretations (the "new HKFRSs") issued by the HKICPA, which are effective for accounting periods commencing on or after 1 April 2008. The adoption of these new HKFRSs has no material effect on the results or financial position of the Group for the current or prior accounting periods.

2. Principal accounting policies (Continued)

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

HKFRSs (Amendments)	Improvements to HKFRSs ¹
HKAS 1 (Revised)	Presentation of Financial Statements ²
HKAS 23 (Revised)	Borrowing Costs ²
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ³
HKAS 32 & HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation ²
HKAS 39 (Amendment)	Eligible Hedged Items ³
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate ²
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations ²
HKFRS 3 (Revised)	Business Combinations ³
HKFRS 8	Operating Segments ²
HK(IFRIC) – Int 13	Customer Loyalty Programmes ⁴
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate ²
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation ⁵

¹ Effective for annual periods beginning on or after 1st January, 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1st July, 2009

² Effective for annual periods beginning on or after 1st January, 2009

³ Effective for annual periods beginning on or after 1st July, 2009

⁴ Effective for annual periods beginning on or after 1st July, 2008

⁵ Effective for annual periods beginning on or after 1st October, 2008

3. Revenue

The Group is principally engaged in the (i) undertaking of superstructure construction, foundation piling, substructure works, slope improvement, interior decoration and landscaping works in Hong Kong and (ii) the development and management of a series of sophora products and of biological vegetable oil in the PRC. No revenue for the period generated from the energy-related investment. No revenue for the period generated from the discontinued operations. An analysis of the Group's revenue of the continuing operation for the period is as follows:

	Six months ended 30 September	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Construction contract revenue	285,734	311,507
Revenue from sales of goods	–	15,508
	285,734	327,015

4. Earnings/(Loss) per share

The calculations of basic and diluted earnings (loss) per share for the six months ended 30 September 2008 together with the comparative figures for 2007 are as follows:

	Six months ended 30 September	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Continuing operations		
Profits for the purpose of basic and diluted earnings per share	<u>15,891</u>	<u>14,035</u>
Discontinued operation		
Profit/(Loss) for the purpose of basic and diluted loss per share	<u>518</u>	<u>(3,994)</u>
Continuing and discontinued operations		
Profits for the purpose of basic and diluted earnings per share	<u>16,409</u>	<u>10,041</u>
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	<u>71,907,869</u>	<u>54,300,000</u>
Effect of dilutive potential ordinary shares assumed exercise of share options	<u>N/A</u>	<u>N/A</u>
Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per share	<u>71,907,869</u>	<u>54,300,000</u>
Earnings (loss) per share		
Continuing operations		
Basic and diluted earnings per share	<u>22.10 cents</u>	<u>25.85 cents</u>
Discontinued operation		
Basic and diluted earnings/(loss) per share	<u>0.72 cents</u>	<u>(7.36) cents</u>
Continuing and discontinued operations		
Basic and diluted earnings per share	<u>22.82 cents</u>	<u>18.49 cents</u>

5. Other gains and losses

		Six months ended 30 September	
		2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
	<i>Note</i>		
Gain on disposal of subsidiaries	16	72,046	–
(Loss)/Profit on disposal of property, plant and equipment		(8)	12
Bad debts recovery		67	–
		<u>72,105</u>	<u>12</u>

6. Income tax credit

- (a) Hong Kong profits tax is calculated at 16.5% (six months ended 30 September 2007: 17.5%) of the estimated assessable profits for the period. Deferred tax on deductible/taxable temporary differences reversed during the period has been charged/credited to the income statement using the applicable rates of tax in Hong Kong.
- (b) The tax credit for the period is made up as follows:

	Six months ended 30 September	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Current tax		
– Hong Kong	–	–
Deferred tax	–	336
	<u>–</u>	<u>336</u>

7. Discontinued operations

On 1 May 2008, the Group disposed of its entire equity interest in Wing Hing Group (BVI) Ltd. for the cash consideration of HK\$50,000,000 and promissory notes receivables of HK\$121,000,000. An analysis of the results and cash flows of the discontinued operations included in the condensed consolidated income statement and the condensed consolidated cash flows statement is as follows:

	Six months ended 30 September	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Revenue	–	–
Cost of sales	–	(6)
	<hr/>	<hr/>
Gross loss	–	(6)
Other income	5	1
Other gains and losses	–	1,509
Administrative expenses	(69)	(711)
Share of profits/(losses) of jointly-controlled entities	426	(4,533)
Share of profit of associates	156	–
Finance costs	–	(88)
	<hr/>	<hr/>
Profit/(loss) before tax	518	(3,828)
Income tax expense	–	(166)
	<hr/>	<hr/>
Profit/(loss) for the period from discontinued operations	518	(3,994)
	<hr/>	<hr/>
Cash flows from discontinued operations		
Net cash generating by/(used in) operating activities	513	(3,995)
Net cash generating by investing activities	5	1
Net cash generating by financing activities	–	–
	<hr/>	<hr/>
Net increase/(decrease) in cash flows	518	(3,994)
	<hr/>	<hr/>

8. Profit for the period

	Six months ended 30 September	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of services and inventories recognized as an expense	304,147	305,837
Depreciation for property, plant and equipment	1,813	2,427
Less: Amounts capitalized in construction contracts	(1,583)	(1,791)
	230	636
Minimum lease payments paid under operating leases during the period:		
Leasehold land and buildings	758	228
Less: Amounts capitalized in construction contracts	-	-
	758	228
Plant and machinery	232	548
Less: Amounts capitalized in construction contracts	(232)	(548)
	-	-
	758	228
Employee benefits expense (including directors' remuneration):		
Wages and salaries	27,932	24,340
Contributions to retirement benefits scheme	806	811
Less: Amounts capitalized in construction contracts	(18,981)	(13,982)
	9,757	11,169
Amortization of prepaid lease payments	2,313	8
Interest income	(523)	(654)

9. Trade and other receivables

An aged analysis of the Group's trade and other receivables, inclusive of contract retention receivables classified as non-current assets, as at 30 September 2008 is as follows:

	30 September 2008 (Unaudited) HK\$'000	31 March 2008 (Audited) HK\$'000
Accounts receivable, with aged analysis		
Current to 90 days	59,859	40,619
91 days to 180 days	53	24
181 days to 365 days	660	644
Over 365 days	<u>27,393</u>	<u>27,711</u>
	87,965	68,998
Less: accumulated impairment	<u>(27,404)</u>	<u>(27,491)</u>
	60,561	41,507
Contract retention receivables		
Retentions held by contract customers	40,577	35,344
Less: accumulated impairment	<u>(9,443)</u>	<u>(9,444)</u>
	31,134	25,900
Less: contract retention receivables classified as non-current assets	<u>(17,991)</u>	<u>(10,484)</u>
	13,143	15,416
Amounts due from contract customers	<u>12,057</u>	<u>26,603</u>
Total trade receivables as shown under current assets	85,761	83,526
Prepayments, deposits and other receivables	66,185	2,354
Amounts due from jointly-controlled entities	2,510	4,684
Amounts due from associates	8,048	7,932
Amounts due from minority shareholders	<u>231</u>	<u>–</u>
	76,974	14,970
	162,735	98,496

9. **Trade and other receivables** (Continued)

Included in trade and other receivables are amounts due from contract customers as follows:

	30 September 2008 (Unaudited) HK\$'000	31 March 2008 (Audited) HK\$'000
Contract costs incurred plus recognized profits less recognised losses to date	231,769	591,047
Less: progress billings	(219,712)	(564,444)
Amounts due from contract customers	12,057	26,603

10. **Trade and other payables**

An aged analysis of the Group's trade and other payables as at 30 September 2008 is as follows:

	30 September 2008 (Unaudited) HK\$'000	31 March 2008 (Audited) HK\$'000
Accounts payable, with aged analysis		
Current to 90 days	31,611	37,982
91 days to 180 days	6,302	2,257
181 days to 365 days	4,027	8,166
Over 365 days	22,483	19,518
	64,423	67,923
Amounts due to contract customers	88,828	37,333
Total trade payables as shown under current liabilities	153,251	105,256
Other payables and accruals	4,003	34,485
Amounts due to jointly-controlled entities	24,159	39,207
Amounts due to an associate	-	59
Amounts due to minority shareholders	1,041	210
	29,203	73,961
	182,454	179,217

10. Trade and other payables (Continued)

Included in trade and other payables are amounts due to contract customers as follows:

	30 September 2008 (Unaudited) HK\$'000	31 March 2008 (Audited) HK\$'000
Contract costs incurred plus recognized profits less recognized losses to date	1,266,099	849,294
Less: progress billings	(1,354,927)	(886,627)
Amounts due to contract customers	(88,828)	(37,333)

11. Share capital

	Number of shares	Share capital HK\$'000
<i>Authorized:</i>		
At 31 March 2008 and at 30 September 2008		
Ordinary shares of HK\$1 each	<u>100,000,000</u>	<u>100,000</u>
<i>Issued and fully paid:</i>		
At 31 March 2008		
Ordinary Shares of HK\$1 each	69,000,000	69,000
Issue of new share	<u>10,860,000</u>	<u>10,860</u>
At 30 September 2008		
Ordinary Shares of HK\$1 each	<u>79,860,000</u>	<u>79,860</u>

12. Contingent liabilities

At balance sheet date, the Group had the following contingent liabilities:

	30 September 2008 (Unaudited) HK\$'000	31 March 2008 (Audited) HK\$'000
Guarantees in respect of performance bonds in favour of contract customers	28,583	25,143

Save as disclosed above, there was no material change in the Group's contingent liabilities as compared to the most recent published annual report.

13. Segment information

The Group's operations are principally undertaken in Hong Kong SAR. An analysis of the Group's revenue and result by principal activities, in respect of the Group's operations for the six months ended 30 September 2008 is as follows:

2008

	Continuing Operations						Discontinued Operation			Total	Consolidated
	Superstructure construction works	Foundation piling, substructure works and slope improvement works	Interior decoration and landscaping works	Energy-related investment	Corporate and others	Eliminations	Superstructure construction works	Corporate and other	Total		
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
REVENUE											
External sales	284,957	375	402	-	-	-	285,734	-	-	-	285,734
Inter-segment sales	-	23,549	4,804	-	-	(28,353)	-	-	-	-	-
Total	284,957	23,924	5,206	-	-	(28,353)	285,734	-	-	-	285,734
Inter-segment sales are charged at prevailing market rates.											
RESULT											
Segment result	(8,269)	(8,271)	507	-	12,096	(155)	(4,092)	-	-	-	(4,092)
Unallocated income							74,226			5	74,231
Unallocated corporate expenses							(28,280)			(69)	(28,349)
Share of (losses)/profits of											
- associates							-			156	156
- jointly-controlled entities							(24,965)			426	(24,539)
Finance costs							(2,039)			-	(2,039)
Profit before tax							14,850			518	15,368
Income tax credit							-			-	-
Profit for the period							14,850			518	15,368

13. Segment information (Continued)

2007

	Continuing Operations					Discontinued Operation				
	Superstructure construction works HK\$'000	Foundation piling, substructure works and slope improvement works HK\$'000	Interior decoration and landscaping works HK\$'000	Corporate and others HK\$'000	Eliminations HK\$'000	Total HK\$'000	Superstructure construction works HK\$'000	Corporate and others HK\$'000	Total HK\$'000	Consolidated HK\$'000
REVENUE										
External sales	307,469	4,020	19	15,507	-	327,015	-	-	-	327,015
Inter-segment sales	-	15,843	34,473	-	(50,316)	-	-	-	-	-
Total	<u>307,469</u>	<u>19,863</u>	<u>34,492</u>	<u>15,507</u>	<u>(50,316)</u>	<u>327,015</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>327,015</u>

Inter-segment sales are charged at prevailing market rates.

RESULT

Segment result	<u>16,523</u>	<u>6,865</u>	<u>2,772</u>	<u>11,397</u>	<u>(10,603)</u>	<u>26,954</u>	<u>(6)</u>	<u>1,509</u>	1,503	28,457
Unallocated income						654			-	655
Unallocated corporate expenses						(13,335)			(711)	(14,046)
Share of Profit/(losses) of										
- associates						(768)			-	(768)
- jointly-controlled entities						250			(4,533)	(4,283)
Finance costs						(55)			(88)	(143)
Profit/(Loss) before tax						13,700			(3,828)	9,872
Income tax credit/(expenses)						336			(166)	170
Profit/(Loss) for the period						<u>14,036</u>			<u>(3,994)</u>	<u>10,042</u>

As over 90% of the Group's revenue is derived from customers based in Hong Kong, no further analysis of the Group's segment revenue by geographical area is presented.

14. Operating leases

The Group as lessee

At balance sheet date, the Group and the Company had commitments for future minimum lease payments under non-cancelable operating leases which fall due as follows:

	30 September 2008 (Unaudited) HK\$'000	31 March 2008 (Audited) HK\$'000
Within one year	1,579	264
In the second to fifth year inclusive	1,638	242
	3,217	506

Save as disclosed above, there was no material change in the Group's commitments as compared to the most recent published annual report.

15. Pledge of assets

At 30 September 2008, the Group's pledged deposits of approximately amounted HK\$24,045,000.

16. Disposal of Subsidiaries

On 1 May 2008, the Group disposed of its entire equity interests in Wing Hing Group (BVI) Ltd for the cash consideration of HK\$50,000,000 and promissory notes receivable of HK\$121,000,000. The net assets of Wing Hing Group (BVI) Ltd and its subsidiaries, Sunny Engineering Ltd and CSP (HK) Ltd at the respective dates of disposal were as follows:

	30 September 2008 (Unaudited) HK\$'000
Net assets/(liabilities) disposal of:	
Property, plant and equipment	10,721
Investment property	6,500
Prepaid lease payments	659
Interest in jointly-controlled entities	19,658
Interest in associate	4,909
Available-for-sale investment	1
Amount due from an investee entity	53,892
Trade and other receivables	32,296
Bank balance and cash	1,535
Trade and other payables	(2,276)
Current tax liabilities	(669)
Amount due to an associate	(21,707)
Deferred tax liabilities	(1,405)
	<hr/>
	104,114
Release of contributed surplus	(1,781)
Release of assets revaluation reserve	(6,931)
Gain on disposal of subsidiaries	72,046
	<hr/>
	167,448
Satisfied by:	
Costs directly attributable to the disposal	(1,550)
Cash consideration	50,000
Fair value of promissory notes receivables	118,998
	<hr/>
	167,448
	<hr/>

17. Acquisition of subsidiaries

On 8 July 2008, the Company announced that Bless Luck International Limited (a wholly owned subsidiary of the Company which was formed by the Company on 2 April 2008) entered into a conditional sale and purchase agreement dated 20 June 2008 with an independent third party to acquire 70% of the entire issued share capital of Union Sense Development Limited for a consideration of HK\$210,000,000. Further details of the acquisition are set out in the Company's announcements dated 8 July 2008, 4 August 2008 and 26 November 2008. The aforesaid acquisition has been completed on 1 December 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the period under review, the Group has recorded a turnover of approximately HK\$286 million which represents approximately 12.54% decrease compared with the turnover recorded in the corresponding period last year. The Group recorded a net profit from ordinary activities attributable to equity holders of approximately HK\$16.41 million compared with a net profit from ordinary activities attributable to equity holders of approximately HK\$10.04 million for the corresponding period last year.

Construction and Building

The construction and building contracts secured in the first half of the financial year include the construction of the Joint-User Complex and Wholesale Fish Market in Area 44, Tuen Mun, New Territories for the Architectural Services Department; with a contract sum of HK\$237 million.

In the leisure market, the Group's associated company, Hyspos Leisure Asia Limited, has successfully completed the project management and implementation of an exhibition building for Johnson & Johnson in Beijing which was designed especially for the Beijing Olympic Games. Another associated company, Hyspos Leisure Macau Limited, has secured the design and build contract for the Manchester United Experience in the Venetian Hotel and Complex in Macau with a contract sum of HK\$51 million.

Wastewater Treatment and Property Development

Through the disposal of certain properties and investments and the wastewater treatment facility project in Zhuhai, China, the Group realized a reasonable return which has been reflected in this financial result.

PROSPECTS

Looking ahead, in the medium term, it is anticipated that the construction market in the public sector will steadily recover in tandem with the recent government commitment to increase public expenditures in infrastructure developments in the coming financial years. In the short term, amidst the international financial crisis and economic jitters, the construction market arising from private property development projects will slow down as a result of diminishing Hong Kong's economic activities and property prices. It is anticipated that the private sector will continue to be sluggish in the foreseeable future. The Group will focus on the high-end and professional construction markets, in particular the leisure areas like theme parks and institutional works. Due to the recent substantial fluctuations in construction materials and oil prices, the Group will continue to adopt a prudent tendering approach and to increase competitiveness by consolidation of the operations.

Earlier this year, the Group has acquired three parcels of agricultural land of total area of 54.69 square kilometers in Inner Mongolia Autonomous Region of PRC. The farmland is intended to be used as a plantation base for cultivating kudouzi (as raw material for Chinese medicine) and oil crop (producing feedstock for biodiesel refinery). Due to the recent sharp decrease in oil prices, biodiesel has become less attractive as an alternative energy source and the Group has signed a memorandum of understanding on 9 December 2008 to sell the three parcels of agricultural land back to the original vendor. The details of the memorandum of understanding can be found in the Company's announcement dated 9 December 2008.

Following the completion of acquisition of the coal mines (further details of which are set out in the Company's announcement dated 8 July 2008), it is anticipated that the corresponding revenue and profit will gradually benefit the Group.

In Hong Kong, the Group will concentrate on a few other areas on top of the traditional construction activities. Hypsos Leisure Asia Limited, an associated company established with two European partners, has been actively tendering for works in the leisure construction markets and it is expected that further new projects in this area are forthcoming.

The Group anticipates to evolve gradually from a traditional low-value construction group to a diversified conglomerate comprising construction, environmental engineering, energy and investment, and high-value specialist construction in various areas related to leisure markets. Despite recording an overall net profit for the period under review, the performance in the construction sector has not been satisfactory. As a result, the Group is seriously reviewing the mix of its key activities.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2008, the Group's had no outstanding bank borrowings. As at 30 September 2008, the Group's banking facilities were supported by (i) pledged deposits of approximately HK\$24,045,000 of the Group; (ii) corporate guarantees to the extent of approximately HK\$44.6 million in aggregate executed by the Company in respect of the banking facilities granted to certain subsidiaries of the company; and (iii) cross guarantees amongst certain subsidiaries of the Company.

The Group's gearing ratio as at 30 September 2008 was 0.164 (31 March 2008: 0.168), calculated based on the Group's total borrowings of HK\$100,262,000 (31 March 2008: HK\$98,280,000) over the Group's total assets of HK\$609,673,000 (31 March 2008: HK\$584,731,000).

The Group continues to adopt a policy of dealing principally with clients with whom the Group has enjoyed a long working relationship so as to minimize risks in its business.

EMPLOYEES

As at 30 September 2008, the total number of employees, excluding workers under exclusive sub-contracting arrangement, of the Group was approximately 170. Performance of the staff is normally reviewed on an annual basis with adjustment compatible to the market. There is no material change in the information as compared to the most recently published annual report.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

Since the functional currencies of the Group's operations are mainly Hong Kong dollars, United States dollars and Renminbi, the Directors consider that the potential foreign exchange exposure of the Group during the six months ended 30 September 2008 is limited.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries, purchased, redeemed or sold any of the Company's listed securities during the period ended 30 September 2008.

SHARE OPTION SCHEME

In the Company's annual general meeting held on 27 August 2003, an ordinary resolution was passed by the Company's shareholders for adoption of a new share option scheme (which is complied with amended Chapter 17 of the Listing Rules) and termination of the Company's share option scheme adopted on 22 November 1995. No share options have been granted by the Company under both of the above-mentioned share option schemes.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 September 2008, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") (i) which were 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 or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the required standard of dealing of securities by Directors of the Company were as follows:

Name of directors	Number of ordinary shares held			Percentage of issued ordinary shares as at 30 September 2008
	Personal interests	Corporate interests	Total interests in shares	
Mr. Ng Tat Leung, George	4,917,369	10,772,700 (Note)	15,690,069	19.65%
Mr. Wong Teck Ming	30,000	—	30,000	0.04%
Mr. Lui Siu Yee, Samuel	30,600	—	30,600	0.04%

Note: These 10,772,700 shares are beneficially owned by Total Success Worldwide Limited, the entire issued share capital of which is owned as to approximately 92.92% by Mr. Ng Tat Leung, George and the remaining 7.08% by Mr. Wong Teck Ming. Accordingly, Mr. Ng Tat Leung, George, is deemed to be interested in all the shares in which Total Success Worldwide Limited is interested pursuant to the SFO.

Save as disclosed above, as at 30 September 2008, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the required standard of dealing of securities by Directors of the Company.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

Persons who have an interest or short position which is discloseable under provisions of Divisions 2 and 3 of Part XV of the SFO

So far as is known to the Directors of the Company, as at 30 September 2008, the following persons (including Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name of shareholders	Number of ordinary shares held	Underlying shares of equity derivatives (i.e. warrant)	Total interest	Percentage of issued ordinary shares as at 30 September 2008
Liu Pui Lan	11,700,000	–	11,700,000	14.65%
Total Success Worldwide Limited (Note 1)	10,772,700	–	10,772,700	13.49%
Grand Legend Ltd (Note 2)	5,750,000	–	5,750,000	7.20%
Toplite Global Capital Ltd (Note 3)	5,587,550	–	5,587,550	7.00%

Notes:

- (1) Total Success Worldwide Limited owns 10,772,700 shares of the Company. The entire issued share capital of Total Success Worldwide Limited is owned as to approximately 92.92% by Mr. Ng Tat Leung, George and the remaining 7.08% by Mr. Wong Teck Ming. Accordingly, Mr. Ng Tat Leung, George is deemed to be interested in all the shares in which Total Success Worldwide Limited is interested pursuant to the SFO.
- (2) The entire issued share capital of Grand Legend Limited is owned by Mr. Lo Chun Yang. Ms. Loh Siu Yin, Lulu is the spouse of Mr. Lo Chun Yang. Accordingly, Mr. Lo Chun Yang and Ms. Loh Siu Yin, Lulu are deemed to be interested in all the shares in which Grand Legend Limited is interested pursuant to the SFO.
- (3) The entire issued share capital of Toplite Global Capital Limited is owned by Ms Lam Yin Fong.

Save as disclosed above, as at 30 September 2008, the Directors of the Company were not aware of any other person who had, or was deemed to have, interests or short positions in the Shares or underlying Shares, which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

CORPORATE GOVERNANCE PRACTICES

Audit Committee

The Company has established an audit committee with written terms of reference based on the guidelines recommended by the Hong Kong Institute of Certified Public Accountants and the mandatory provisions as set out in the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules. The audit committee comprises three independent non-executive Directors, Mr. Wong Lit Chor, Alexis, Dr. Leung Wai Cheung and Mr. Hui Wah Tat, Anthony. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control procedures of the Group, and to review the Company's annual and interim reports.

The audit committee has also reviewed the Group's unaudited results for the six months ended 30 September 2008.

Directors' Securities Transactions

The Company has established written guidelines for required standard of dealings in securities by Directors of the Company. The Company confirms that, having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard of dealings with respect to the securities dealing of the Company.

Corporate Governance Practices

None of the Directors is aware of any information that would reasonably indicate that the Group is not, or was not for any part of the accounting period covered by this interim report in compliance with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules except the following:

- 1 The Board is in the opinion that Mr. Ng Tat Leung, George assumes the roles of both Chairman and chief executive officer of the Company due to his strong leadership and experience in the construction industry.
- 2 The independent non-executive Directors of the Company are not appointed for specific terms but are subject to retirement by rotation in accordance with the Company's Articles of Association.

DIRECTORS

As at the date of this report, the Executive Directors of the Company are Mr. Ng Tat Leung, George, Mr. Wong Teck Ming, Mr. Lui Siu Yee, Samuel, Dr. Peter He and Ms. Leung Pui Kwan. The Independent Non-executive Directors of the Company are Mr. Wong Lit Chor, Alexis, Dr. Leung Wai Cheung and Mr. Hui Wah Tat, Anthony.

On behalf of the Board
Ng Tat Leung, George
Chairman and Managing Director

Hong Kong SAR, 10 December 2008