



WING HONG (HOLDINGS) LIMITED
榮康(控股)有限公司*
(Incorporated in the Cayman Islands with limited liability)



interim report | *For identification purpose only

2004

CORPORATE INFORMATION

Executive Directors	Mr. Hui Chi Yung (<i>Chairman</i>) Mr. Yiu Kai Yeuk, Raphael Mr. Hui Kau Mo
Independent non-Executive Directors	Mr. Liu Kwong Sang Mr. Sit Hing Wah Dr. Hu Chung Kuen, David
Audit committee	Mr. Liu Kwong Sang Mr. Sit Hing Wah Dr. Hu Chung Kuen, David
Company secretary and qualified accountant	Mr. Cheung Sze Yin, ACCA, CPA
Auditors	Ernst & Young
Registered office	Century Yard, Cricket Square Hutchins Drive, P.O. Box 2681GT George Town, Grand Cayman British West Indies
Head office and principal place of business	7th Floor, Eastern Commercial Centre 395-399 Hennessy Road Wanchai Hong Kong
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Cayman Island principal share registrar and transfer office	Bank of Butterfield International (Cayman) Ltd. Butterfield House, 68 Port Street P.O. Box 705, George Town Grand Cayman, Cayman Islands
Hong Kong branch share registrar and transfer office	Tricor Investor Services Limited G/F, Bank of East Asia Harbour View Centre 56 Gloucester Road Wanchai, Hong Kong
Ordinary share listing	Main Board of The Stock Exchange of Hong Kong Limited (Stock code 745)

The Directors (the "Directors") of Wing Hong (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 2004 together with the appropriate comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2004

		Six months ended	
		30 September	
		2004	2003
	<i>Notes</i>	(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
TURNOVER — contract revenue	2	148,389	493,556
Contract costs		(142,168)	(477,095)
Gross profit		6,221	16,461
Other revenue and gains	2	952	2,633
Administrative expenses		(6,354)	(5,652)
Other operating expenses		(312)	(264)
Profit from operating activities	4	507	13,178
Finance costs		(80)	(47)
Share of profits and losses of:			
A jointly-controlled entity		—	—
An associate		—	—
Profit before tax		427	13,131
Tax	5	(165)	(1,659)
Profit before minority interests		262	11,472
Minority interests		160	(9)
Net profit from ordinary activities attributable to shareholders		422	11,463
Dividend	6	—	—
Earnings per share			
— Basic, HK cents	7	0.05	1.31

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2004

	As at 30 September 2004 (Unaudited) <i>Notes</i> <i>HK\$'000</i>	As at 31 March 2004 (Audited) <i>HK\$'000</i>
NON-CURRENT ASSETS		
Fixed assets	5,685	6,358
Goodwill:		
Goodwill	4,889	5,201
Negative goodwill	(1,696)	(1,744)
Interest in a jointly-controlled entity	1,077	697
Interest in an associate	—	—
	9,955	10,512
CURRENT ASSETS		
Amount due from customers for contract work	100,479	129,755
Accounts receivable	8 80,136	74,464
Prepayments, deposits and other receivables	24,434	16,281
Amount due from a minority shareholder	225	225
Amount due from a Director	—	4,219
Loans to shareholders	—	460
Short term investments	2,828	—
Tax recoverable	511	8
Pledged deposits	6,400	6,400
Cash and cash equivalents	8,577	42,116
	223,590	273,928

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 30 September 2004

		As at 30 September 2004 (Unaudited) <i>Notes</i> <i>HK\$'000</i>	As at 31 March 2004 (Audited) <i>HK\$'000</i>
CURRENT LIABILITIES			
Amount due to customers for contract work		10,929	18,594
Accounts payable	9	57,267	92,525
Tax payable		2,506	3,401
Other payables and accruals		2,377	5,580
Amounts due to minority shareholders		4	4
Amount due to a Director		—	5,352
Dividend payable		—	15,000
Interest-bearing bank borrowings		46,718	—
Loans from shareholders		—	30,502
		119,801	170,958
NET CURRENT ASSETS			
		103,789	102,970
TOTAL ASSETS LESS CURRENT LIABILITIES			
		113,744	113,482
NON-CURRENT LIABILITIES			
Deferred tax		130	130
MINORITY INTERESTS			
		2,940	3,100
		110,674	110,252
CAPITAL AND RESERVES			
Issued capital	10	200	10,000
Reserves		110,474	100,252
		110,674	110,252

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2004

	Issued share capital (Unaudited) HK\$'000 (Note)	Capital reserve (Unaudited) HK\$'000	Investment property revaluation reserve (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 1 April 2004	10,000	—	85	100,167	110,252
Shares issued	200	—	—	—	200
Arising on reorganisation	(10,000)	9,800	—	—	(200)
Net profit for the period	—	—	—	422	422
At 30 September 2004	200	9,800*	85*	100,589*	110,674
At 1 April 2003	10,000	—	—	81,528	91,528
Surplus on revaluation of investment properties	—	—	85	—	85
Net profit for the period	—	—	—	11,463	11,463
At 30 September 2003	10,000	—	85	92,991	103,076

Note: For the purpose of the presentation of the condensed consolidated balance sheet, the balance of the share capital at 1 April 2004 and 2003 represents the amount of the share capital of Shing Tak Construction Company Limited, a wholly owned subsidiary of the Company. The issued share capital as at 30 September 2004 represents the issued and paid-up capital of the Company.

* These reserve accounts comprise the consolidated reserves of HK\$110,474,000 (31 March 2004: HK\$100,252,000) in the condensed consolidated balance sheet.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2004

	Six months ended 30 September	
	2004	2003
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash inflow/(outflow) from operating activities	(45,180)	9,104
Net cash inflow from investing activities	777	9,982
Net cash inflow/(outflow) from financing activities	6,146	(184)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(38,257)	18,902
Cash and cash equivalents at beginning of the period	42,116	45,619
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	3,859	64,521
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	8,577	21,742
Non-pledged time deposits with original maturity of less than three months when acquired	—	45,970
Bank overdrafts, secured	(4,718)	(3,191)
	3,859	64,521

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2004

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 27 August 2002 under the Companies Law, Cap. 22 (Law 3 of 1961 as consolidated and revised) of the Cayman Islands and was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 13 October 2004.

Pursuant to a group reorganisation (the "Reorganisation") in preparation for the listing of the shares of the Company on the Main Board of the Stock Exchange, the Company became the holding company of the Group formed after the completion of the Reorganisation on 10 September 2004. Details of the Reorganisation are set out in the prospectus of the Company dated 30 September 2004 (the "Prospectus").

The Reorganisation involved companies under common control. The unaudited condensed consolidated interim financial statements for the six months ended 30 September 2004 have been prepared using the merger basis of accounting in accordance with Statement of Standard Accounting Practice ("SSAP") 2.127 "Accounting for group reconstructions" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Under this basis, the condensed consolidated interim financial statements for the six months ended 30 September 2004, together with the comparative figures of the corresponding period last year and the related notes thereto have been presented in these condensed consolidated interim financial statements on the basis that the Company was treated as the holding company of its subsidiaries for the financial periods presented rather than from the subsequent dates of acquisition of the subsidiaries. The unaudited condensed consolidated interim financial statements include the results of the companies now comprising the Group, as if the current Group structure had been in existence throughout the financial periods presented, or from the respective dates of incorporation/ registration or acquisition of the companies now comprising the Group, whichever is shorter. All material intra-group transactions and balances have been eliminated on consolidation.

These unaudited condensed consolidated interim financial statements for the six months ended 30 September 2004 have been prepared in accordance with the disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and are in compliance with SSAP 2.125 "Interim financial reporting" issued by the HKICPA.

The accounting policies and basis of preparation are consistent with those adopted in the Group's accountants' report as set out in the Prospectus.

2. TURNOVER, OTHER REVENUE AND GAINS

	Six months ended 30 September	
	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Turnover — contract revenue	148,389	493,556
Other revenue and gains		
Management fee income, net	410	56
Interest income	66	1,582
Rental income	196	174
Handling income from subcontractors	63	749
Sundry income	106	24
Gain on disposal of fixed assets	63	—
Negative goodwill recognised	48	48
	952	2,633

3. SEGMENT INFORMATION

The Group's operating businesses are structured and managed separately, according to the nature of their operations and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

- (a) the building construction segment engages in construction and foundation contract works as a main contractor or subcontractor for building construction in the private and public sectors;
- (b) the renovation, repairs and maintenance segment engages in site formation, civil engineering works, repairs, maintenance, renovation and fitting out works in the private and public sectors; and
- (c) the corporate and others segment comprises the Group's management services and property holding businesses, which includes rental income and gain on disposal of investment properties, together with corporate income and expense items.

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets. No further geographical segment information is presented as over 90% of the Group's revenue is derived from customers based in Hong Kong, and over 90% of the Group's assets are located in Hong Kong.

An analysis of the Group's segment revenue and segment results by business segments, which is the Group's primary basis of segment reporting, is as follows:

	Building construction		Renovation, repairs and maintenance		Corporate and others		Consolidated	
	Six months ended 30 September 2004 (Unaudited) HK\$'000		Six months ended 30 September 2003 (Unaudited) HK\$'000		Six months ended 30 September 2004 (Unaudited) HK\$'000		Six months ended 30 September 2003 (Unaudited) HK\$'000	
Segment revenue:								
Contract revenue from external customers	101,604	353,348	46,785	140,208	—	—	148,389	493,556
Other revenue	406	657	184	1,557	36	36	626	2,250
Total	102,010	354,005	46,969	141,765	36	36	149,015	495,806
Segment results	5,326	12,419	1,485	6,192	(6,318)	(5,552)	493	13,059
Interest and unallocated gains							326	383
Unallocated expenses							(312)	(264)
Profit from operating activities							507	13,178
Finance costs							(80)	(47)
Profit before tax							427	13,131
Tax							(165)	(1,659)
Profit before minority interests							262	11,472
Minority interests	—	—	160	(9)	—	—	160	(9)
Net profit from ordinary activities attributable to shareholders							422	11,463

4. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging/(crediting):

	Six months ended 30 September 2004 (Unaudited) HK\$'000		2003 (Unaudited) HK\$'000
Depreciation	430		559
Less: Amount capitalised as contract costs	(122)		(205)
Amortisation of goodwill	308		354
Interest income	(66)		(1,582)
Negative goodwill recognised as income	(48)		(48)

5. TAX

	Six months ended 30 September	
	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Provision for Hong Kong profits tax	701	2,364
Overprovision in prior periods — Hong Kong	(536)	(432)
Deferred tax	—	(273)
	165	1,659

Hong Kong profits tax has been provided at the rate of 17.5% (six months ended 30 September 2003: 17.5%) on the estimate assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

6. DIVIDEND

The board of Directors have resolved not to declare any interim dividend for the six months ended 30 September 2004.

7. EARNINGS PER SHARE

The calculation of earnings per share is based on the net profit from ordinary activities attributable to shareholders for the six months ended 30 September 2004 and 2003, and on the assumption that 872,480,000 shares were deemed to have been in issue during the period, comprising the 20,000,000 shares in issue throughout the six months ended 30 September 2004 and 2003 and 852,480,000 shares issued pursuant to the capitalisation issue, as described more fully in the Prospectus.

No diluted earnings per share amounts have been presented as the Company did not have any dilutive potential ordinary shares during the periods presented.

8. ACCOUNTS RECEIVABLE

The payment term of contract work was stipulated in the relevant contracts.

An aged analysis of accounts receivable, net of provision, as at the balance sheet date is as follows:

	As at 30 September 2004 (Unaudited) HK\$'000	As at 31 March 2004 (Audited) HK\$'000
Within 30 days	9,580	21,513
31 — 90 days	6,586	52,042
91 — 180 days	40,460	909
Over 180 days	23,510	—
	80,136	74,464

9. ACCOUNTS PAYABLE

An aged analysis of accounts payable as at the balance sheet date is as follows:

	As at 30 September 2004 (Unaudited) HK\$'000	As at 31 March 2004 (Audited) HK\$'000
Within 30 days	12,509	53,414
31 — 90 days	7,032	20,920
91 — 180 days	17,532	7,695
Over 180 days	20,194	10,496
	<u>57,267</u>	<u>92,525</u>

10. ISSUED CAPITAL

Share capital

	As at 30 September 2004 (Unaudited) HK\$'000	As at 31 March 2004 (Audited) HK\$'000 (Note)
Authorised:		
2,000,000,000 (31 March 2004: 10,000,000) ordinary shares of HK\$0.01 each	<u>20,000</u>	<u>100</u>
Issued fully paid or credited as fully paid:		
20,000,000 (31 March 2004: Nil) ordinary shares of HK\$0.01 each	<u>200</u>	<u>—</u>

Note: For the purpose of the presentation of the condensed consolidated balance sheet as at 31 March 2004, the issued capital as at 31 March 2004 represents the issued and paid-up capital of Shing Tak Construction Company Limited, a wholly owned subsidiary of the Company.

Movements in the share capital of the Company were as follows:

- (a) As at 27 August 2002, (date of incorporation of the Company), the Company's authorised share capital was HK\$100,000 divided into 10,000,000 shares. On 2 September 2002, one share was issued, nil paid, to Codan Trust Company (Cayman) Limited and subsequently transferred to Million Honest Limited. On the same day, 9,999,999 shares were allotted and issued nil paid, to Million Honest Limited.
- (b) On 6 September 2004, the authorised share capital of the Company was increased from HK\$100,000 to HK\$20,000,000 by the creation of an additional 1,990,000,000 shares.

- (c) On 6 September 2004, as part of the Reorganisation, the Directors were authorised to allot and issue an aggregate of 10,000,000 shares, credited as fully paid, in which 6,970,000 shares were issued to Rich Place Investment Limited, 2,250,000 shares to United Century Limited and 780,000 shares to Million Honest Limited, and credited as fully paid at par the 10,000,000 shares issued nil paid on 2 September 2002 (as set out in (a) above) as consideration for the acquisition by the Company of the entire issued share capital of Wing Hong Investment Limited, a wholly owned subsidiary of the Company.

Subsequent to the balance sheet date, there were the following events:

- (d) On 12 October 2004, (i) a total of 191,520,000 shares were issued at HK\$0.25 each to the public by way of new issue and placement of shares upon the listing of the Company's shares on the Main Board of the Stock Exchange; (ii) conditional on the share premium account of the Company being credited as a result of the listing of the Company's shares, an amount of HK\$8,524,800 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 852,480,000 shares of HK\$0.01 each which were allotted and issued as fully paid to holders of shares whose names appear on the register of the members of the Company at the close of business on 14 September 2004 (or as they may direct) in proportion (as nearly as possible without involving fractions) to their then existing shareholding in the Company.

Share options

On 6 September 2004, a share option scheme was approved by the shareholders of the Company under which the Company may grant options to any part-time or full-time employee, executive or officer of the Company or any of its subsidiaries (including executive and non-executive Directors of the Company) and other eligible participants as referred to in the rules of the share option scheme to take up options to subscribe to shares in the Company, representing up to a maximum of 10% of the shares in issue at any time, subject to the terms and conditions stipulated in the scheme.

As at 30 September 2004, no options had been granted under the share option scheme.

11. PLEDGE OF ASSETS

As at 30 September 2004, certain time deposits amounted to HK\$6.4 million (31 March 2004: HK\$6.4 million) were pledged for performance bond facilities.

12. CONTINGENT LIABILITIES

- (a) As at 30 September 2004, the Group had contingent liabilities in respect of outstanding guarantees under several performance bonds amounting to HK\$12.7 million.
- (b) In the normal course of business, the Group is subject to claims of liquidated damages by relevant employers due to delay in completion of certain phases of construction contracts. The Group has filed extension of time claims with the relevant employers and the Directors, based on legal advice, consider that the Group has valid reasons for the extension of time claims. As at the date of this report, the Directors are of the opinion that the amount of the ultimate liquidated damages, if any, cannot be ascertained, however any resulting liability would unlikely materially affect the financial position of the Group.

- (c) On 6 August 2002, 13 October 2003 and 22 October 2003, District Court actions were commenced by suppliers of materials in respect of claims of approximately HK\$895,000 for materials supplied to a subsidiary of the Group. The suppliers supplied materials pursuant to various contracts signed with a subcontractor of the subsidiary of the Group. The suppliers allegedly claimed that the subsidiary of the Group was the contracting party and had allowed the aforesaid subcontractor to hold themselves as an agent of the subsidiary of the Group. In the opinion of the Directors, based on legal advice, the subsidiary of the Group has valid defences, against such claims and any resulting liabilities would not have any material adverse impact on the Group's financial position. Therefore, no provision in respect of such claims was made in the unaudited condensed consolidated interim financial statements.
- (d) On 7 August 2002, a High Court action was commenced by a subcontractor against a subsidiary of the Group in respect of (i) a claim of subcontracting fees and material costs of approximately HK\$31.3 million; and (ii) a compensation claim of approximately HK\$191.2 million for the improper termination of a subcontracting contract. On 13 September 2002, an agreement was reached between the subsidiary of the Group and the subcontractor that the High Court action was withdrawn and all the disputes between the parties relating to this action was referred to arbitration. In the statement of claim for the arbitration, the subcontractor revised the claim of subcontracting fees and material costs and compensation claim to approximately HK\$42.6 million and HK\$84.4 million, respectively.

As at the approval date of this report, no decision has been made in the arbitration. In the opinion of the Directors, based on legal advice, the subsidiary of the Group has valid defences, against such claims and any resulting liabilities would not have any material adverse impact on the Group's financial position. Therefore, no provision in respect of such claims was made in the unaudited condensed consolidated interim financial statements.

- (e) On 6 December 2002, 13 August 2003, 31 October 2003, 21 January 2004, 13 March 2004, 20 May 2004, 31 May 2004, 18 June 2004, 14 July 2004, 19 August 2004, 1 September 2004, 7 September 2004, 8 October 2004 and 16 December 2004, twelve District Court actions and two High Court actions were commenced by eleven employees and an independent third party against certain subsidiaries of the Group and the other respondents in respect of claims for employees' compensations under the common law for personal injuries sustained by the employees in accidents arising in and out of the course of their employments and personal injury, loss and damage arising out of negligence.

No settlements have been reached and no judgements have been made against the subsidiaries of the Group in respect of the above actions. In the opinion of the Directors, the above actions with eleven employees and the independent third party were either covered by insurance or indemnified by a subcontractor and would not have any material adverse impact on the Group. Therefore, no provision in respect of such claim was made in the unaudited condensed consolidated interim financial statements.

- (f) On 3 December 2003, an arbitration was commenced by a subcontractor against a subsidiary of the Group in respect of (i) claims of subcontracting fees and material costs of approximately HK\$0.9 million; and (ii) a compensation claim of approximately HK\$6.2 million for the loss and/or expense for extension of time for completion of the subcontracting work.

As at the approval date of this report, no decision has been made in the arbitration. The subcontracting fees and material costs of approximately HK\$0.9 million have been accounted for in the financial statements. In the opinion of the Directors, based on legal advice, the subsidiary of the Group has valid defences, against such a claim and any resulting liabilities would not have any material adverse impact on the Group's financial position. Therefore, no provision in respect of such claim was made in the unaudited condensed consolidated interim financial statements.

- (g) On 13 September 2004, a subsidiary of the Group received a notice of arbitration from a nominated subcontractor in respect of a claim against the subsidiary of the Group of approximately HK\$6.5 million for subcontracting works performed.

As at the approval date of this report, the arbitration has not yet commenced. In the opinion of the Directors, the claim was related to a delayed payment in respect of subcontracting work delays and defects caused by the nominated subcontractor, and the resulting liabilities, if any, would not have material adverse impact on the Group's financial position.

- (h) The Group has contingent liabilities in respect of possible future long service payments to employees under the Hong Kong Employment Ordinance, with a maximum possible amount of approximately HK\$671,000 as at 30 September 2004. The contingent liability has arisen because, at the balance sheet date, a number of current employees have achieved the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance if their employment is terminated under certain circumstances. A provision has not been recognised in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Group.

13. RELATED PARTY TRANSACTIONS

During the period, the Group had the following material transactions with related parties:

	Notes	Six months ended 30 September	
		2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Office rental expense paid to First Win (Asia) Limited	(a)	327	341
Management fees received from WH-SCG JV Limited ("WH-SCG"), a jointly-controlled entity	(b)	364	517
Renovation fees received from Shanghai Jinjiang International Investment Co. Ltd. ("Jinjiang") and its subsidiaries and associates	(c)	2,912	—

Notes:

- (a) First Win (Asia) Limited is controlled by Mr. Hui Chi Yang and Ms. Chu Yuen Lam, the wife of Mr. Hui Kau Mo. Mr. Hui Chi Yang is a Director of certain of the Group's subsidiaries. Mr. Hui Kau Mo is a Director of the Company. The rental expense was charged based on the floor areas occupied by the Group at rates mutually agreed between the two parties.
- (b) The management fees were charged at cost based on the salary of staff assigned to a project of WH-SCG and mutually agreed between the two parties.
- (c) Jinjiang is the minority shareholder of Shanghai Jinjiang Wing Hong Contracting Co. Ltd. ("Jinjiang Wing Hong"), a subsidiary of the Group. The renovation fees were received in accordance with the terms of the renovation agreements entered into between Jinjiang Wing Hong and Jinjiang and its subsidiaries and associates.

14. COMMITMENTS

Capital commitment

As at 30 September 2004, the Group had no material capital commitments (31 March 2004: Nil).

Operating lease commitments

As at 30 September 2004, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 30 September 2004 (Unaudited) HK\$'000	As at 31 March 2004 (Audited) HK\$'000
Warehouse and office premises:		
Within one year	668	658
In the second to fifth years, inclusive	231	192
	899	850
Machinery:		
Within one year	—	—
	899	850

15. POST BALANCE SHEET EVENT

Listing of the Company

On 12 October 2004, a total of 191,520,000 shares of the Company were issued at HK\$0.25 each to the public by way of new issue and placement of shares upon the listing of the Company's shares on the Main Board of the Stock Exchange.

16. APPROVAL OF INTERIM FINANCIAL REPORT

These condensed consolidated interim financial statements were approved by the Directors on 28 December 2004.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

In the six months ended 30 September of 2004, the Group recorded a turnover of HK\$148.4 million, representing a decrease of 69.9% compared to HK\$493.6 million of the same period of last year. Net profit recorded for the period was HK\$0.4 million, representing a decrease of HK\$11.1 million compared to HK\$11.5 million of the same period of last year. Gross profit dropped to HK\$6.2 million from HK\$16.5 million of the same period of last year while gross profit margin increased to 4.2% for the six months ended 30 September 2004 compared to 3.3% of the same period of last year.

Financial Position and Liquidity

	As at 30 September 2004 (unaudited)	As at 31 March 2004 (audited)
Current ratio	1.87	1.60
Debt to equity ratio*	42.2%	27.7%
Gearing ratio [#]	20.1%	10.8%

* Debt to equity ratio = Aggregate of interest bearing borrowings, loans from shareholders over total equity

[#] Gearing ratio = Aggregate of interest-bearing borrowings, loans from shareholders and other non-current liabilities over total assets

As at 30 September 2004, the Group's total cash and bank balance was approximately HK\$15.0 million (31 March 2004: HK\$48.5 million). The drop in cash and bank balance was mainly due to the repayment of shareholders' loan and payment of dividend during the period. As such, the current ratio and debt to equity ratio increase to 1.87 and 42.2% respectively as at 30 September 2004 (31 March 2004: 1.60 and 27.7%).

Bank borrowings increased to HK\$46.7 million as at 30 September 2004 from nil at 31 March 2004 in order to finance the working capital of the Group. Thus, the gearing ratio increased to 20.1% as at 30 September 2004 from 10.8% as at 31 March 2004.

Trade receivable increased to approximately HK\$80.1 million as at 30 September 2004 from HK\$74.5 million as at 31 March 2004. No provision for doubtful debts was made for the Group during the period.

The Group conducts its core business transaction mainly in HK dollars and RMB. Majority of its cash and bank balances are either in HK dollars or RMB. During the six months ended 30 September 2004 and 2003, the Group did not use any derivative instruments to hedge its foreign currency exposure as the Group considered its foreign currency exposure is insignificant.

BUSINESS REVIEW

The Group is principally engaged in broad spectrum of construction works for both public and private sectors in Hong Kong, namely (i) building construction and foundation and (ii) other civil engineering work not involving construction of building, which include renovation, maintenance, fitting out and site formation. During this six months, the Group have projects on hand such as church development in 118 Gloucester Road, Wanchai, residential development in Beacon Hill and Footbridge in Lai Chi Kok Road.

BUSINESS PROSPECTS

Since the construction industry in Hong Kong has been highly competitive, the Directors believe that differentiating itself from its competitors is a key element to maintain its competitiveness. One of the Group strategy is to cater the specific need of its clients, including the Government, through strengthening the Group's technical know-how.

The Directors believe another crucial factor that brings about operational stability for main contractor is the degree of diversification in the nature of construction projects. Although the Group has, in the past, gained extensive experience from projects that vary in nature, a large portion of its revenue was generated from building construction. As such, the Group plans to increase its participation in site formation, foundation, maintenance and fitting-out projects.

Instead of shifting its resources from one business segment to another, the Group will expand the scope of its construction services provided. In view of the growing offer of design and build contract, which requires the main contractor to provide one-stop construction services, from inception to completion, based on the client's requirement and budget, the Group will strengthen its design team that comprises architects, structural engineers, building services engineers and quantity surveyors, so as to capture such opportunity.

Since the inception of the Group, it has been focusing to establish itself in the Hong Kong construction industry. Taking into account the tremendous market size and growth potential, the Group plans to identify appropriate joint venture partner in the PRC to explore development opportunities.

Leveraging on the Group's business relationship in the construction industry, the Directors intend to further expand its business into the property development segment, which is an integral part of the construction industry, by investing in local existing properties with value appreciation potential after renovation.

After the establishment of CEPA, Hong Kong contractors and services provider can enjoy benefits in setting up wholly-owned enterprise in the PRC. Also the services provided are exempted from foreign investment restrictions when undertaking Chinese-foreign joint construction projects. To seize with the tremendous potential of the PRC market, the Group is currently under process of the CEPA application. The Directors believe that the entry of PRC market may further improve the profitability of the Group in long term.

Exposure to Fluctuations in Exchange Rates

As the Group intends to expand its operations in the PRC, more and more transactions would be transacted in RMB. Accordingly, the Group's profitability could be adversely affected in the event of any unfavourable fluctuations in the exchange rate of RMB. The Group has not entered into any foreign currency forward exchange contract for the purpose of hedging against foreign exchange risks involved in the Group's operations, though the Group may do so in the future. As such, the Group is exposed to risks associated with currency conversion in the foreign exchange market and this may adversely affect the profitability of the Group.

STAFF

As at 30 September 2004, the Group employed 79 full-time staff in Hong Kong and 15 full time staff in the PRC. They are remunerated at market level with benefits such as medical, retirement benefit and share option scheme.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE OFFICER

As the Company's shares have not been listed on the Stock Exchange until 13 October 2004, no register of Directors' or chief executives' interests pursuant to Part XV of the Securities and Futures Ordinance (Cap: 571 of the Laws of Hong Kong) ("SFO") has been maintained by the Company as at 30 September 2004.

DIRECTORS' RIGHT TO ACQUIRE SECURITIES

As the Company's shares have not been listed on the Stock Exchange until 13 October 2004, no register of Directors' or chief executives' interests pursuant to Part XV of the SFO has been maintained by the Company as at 30 September 2004.

INTEREST OF SUBSTANTIAL SHAREHOLDERS

As the Company's shares have not been listed on the Stock Exchange until 13 October 2004, no register of interests in Shares pursuant to Part XV of the SFO had been maintained by the Company as at 30 September 2004.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company's shares were listed on the Stock Exchange on 13 October 2004. During the six months ended 30 September 2004, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

Audit Committee Review

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial report matters. The Audit Committee has also reviewed the unaudited interim financial statements for the six months ended 30 September 2004.

Code of Best Practice

None of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30 September 2004, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

To comply with the Code of Best Practice, the Audit Committee comprising the three independent non-executive Directors of the Company was set up on 6 September 2004 with written terms of reference for the purpose of reviewing and providing supervision on the financial reporting process and internal control of the Group.

BOARD OF DIRECTORS

As at the date of this report, the executive Directors are Mr. Hui Chi Yung , Mr. Yiu Kai Yeuk, Raphael and Mr. Hui Kau Mo and the independent non-executive Directors are Mr. Liu Kwong Sang, Mr. Sit Hing Wah and Dr. Hu Chung Kuen, David.

APPRECIATION

On behalf of the Directors, I would like to extend our gratitude and sincere appreciation to all management and staff members of the Group for their hard work and dedication and the all shareholders of the Company for their support.

On behalf of the Board
Hui Chi Yung
Chairman

Hong Kong, 28 December 2004