



MING HING HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 402)

2006

Interim Report

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. YUEN Chow Ming (*Chairman*)
 Mr. SO Yiu Cheung (*Deputy Chairman*)
 Mr. YUEN Wai Keung
 (*Chief Executive Officer*)

Independent Non-Executive Directors

Mr. SUN Bo Quan
 Dr. HO Chung Tai, Raymond
 Professor LEUNG Yee Tak
 Mr. CHEUNG Chi Man, Dennis

AUDIT COMMITTEE

Mr. CHEUNG Chi Man, Dennis
 (*Chairman*) *CPA (Aust), CPA*
 Dr. HO Chung Tai, Raymond
 Professor LEUNG Yee Tak

NOMINATION COMMITTEE AND REMUNERATION COMMITTEE

Mr. YUEN Wai Keung (*Chairman*)
 Professor LEUNG Yee Tak
 Mr. CHEUNG Chi Man, Dennis

AUTHORISED REPRESENTATIVES

Mr. SO Yiu Cheung
 Mr. YUEN Wai Keung

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Ms. YEUNG Yuen Sheung *FCCA, CPA*

REGISTERED OFFICE

Cricket Square
 Hutchins Drive
 P. O. Box 2681
 Grand Cayman KY1-1111
 Cayman Islands

PRINCIPAL PLACE OF BUSINESS

Units 1809-1812
 Telford House
 16 Wang Hoi Road
 Kowloon Bay
 Hong Kong

COMPLIANCE ADVISER

UOB Asia (Hong Kong) Limited

LEGAL ADVISERS

Squire, Sanders & Dempsey

AUDITORS

Grant Thornton
Certified Public Accountants

PRINCIPAL BANKERS

The Bank of Tokyo-Mitsubishi UFJ, Ltd.
 Hang Seng Bank Limited
 Bank of China (Hong Kong) Limited
 Dah Sing Bank, Limited

PRINCIPAL SHARE REGISTRAR

Butterfield Fund Services (Cayman)
 Limited
 Butterfield House
 68 Fort Street
 P.O. Box 705
 George Town
 Grand Cayman
 British West Indies

BRANCH SHARE REGISTRAR

Tricor Investor Services Limited
 26th Floor
 Tesbury Centre
 28 Queen's Road East
 Hong Kong

STOCK CODE

402

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the period under review, Ming Hing Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) continued to focus on the waterworks engineering sector in Hong Kong. Apart from being awarded the two maintenance contracts from the Water Supplies Department of the Hong Kong SAR Government as the main contractor in Kowloon district (contract number 1/WSD/05(K)) and in Lantau and the outlying islands (contract number 1/WSD/05(L)) in September 2005, the Group, as the sub-contractor, has been involved in another three-year term contract of waterworks installations in the New Territories East district (contract number 1/WSD/06(E)) to undertake some works during the period under review. The value of this new contract is approximately HK\$400 million as published in the Government Gazette.

Including this newly involved maintenance contract, the Group has become an active service provider of three waterworks maintenance contracts awarded by the Hong Kong SAR Government out of totally five in Hong Kong.

FINANCIAL REVIEW

Operating results

During the period under review, the Group’s revenue increased to approximately HK\$187.2 million as compared to approximately HK\$83.2 million for the same period of the preceding year. The substantial growth in revenue was mainly attributable to the commencement of the two maintenance contracts (contract numbers 1/WSD/05(K) and 1/WSD/05(L)) in September 2005, where revenue has only been recorded since the fourth quarter of the same year. During the period under review, maintenance contracts generated revenue amounting to HK\$134.5 million which represented 71.8% of the total revenue of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

The administrative expenses for the six months ended 30 September 2006 amounted to HK\$15.4 million (six months ended 30 September 2005: HK\$8.8 million). The increase was primarily attributable to the increase in staff cost and depreciation expenses during the period under review. Profit attributable to equity holders of the Company for the period was approximately HK\$6.7 million (six months ended 30 September 2005: HK\$11.5 million). Basic earnings per Share amounted to approximately HK2.09 cents (six months ended 30 September 2005: HK4.80 cents).

Liquidity and financial resources

As at 30 September 2006, the Group had cash and bank balances of approximately HK\$33.7 million (31 March 2006: HK\$97.1 million) and pledged bank deposits of approximately HK\$14.4 million (31 March 2006: HK\$11.2 million). The Group's total borrowings as at 30 September 2006 amounted to approximately HK\$68.1 million (31 March 2006: HK\$27.3 million), of which approximately HK\$61.0 million was repayable within one year. The balance of total borrowings as at 30 September 2006 included total obligations under finance leases of approximately HK\$10.8 million (31 March 2006: Nil), of which approximately HK\$3.7 million was repayable within one year. The increase in total borrowings was mainly due to the needs of more working capital and capital expenditures after the commencement of several new contracts since September 2005.

The current assets of the Group as at 30 September 2006 amounted to approximately HK\$232.7 million (31 March 2006: HK\$184.0 million) and the current liabilities amounted to approximately HK\$125.1 million (31 March 2006: HK\$58.4 million). As at 30 September 2006, the Group had total assets of approximately HK\$263.9 million (31 March 2006: HK\$210.2 million). The gearing ratio, which was calculated based on the amount of total bank borrowings and

MANAGEMENT DISCUSSION AND ANALYSIS

obligations under finance leases divided by total assets, was approximately 25.8% as at 30 September 2006 (31 March 2006: 13.0%). Under current financial position, the directors of the Company (the “**Directors**”) believe the Group is still in a good position to obtain debt financing, if necessary, on favourable terms.

HUMAN RESOURCES

As at 30 September 2006, the Group employed approximately 350 employees (31 March 2006: 230 employees) and approximately 60% of them were direct labour. The employees were remunerated according to the nature of the job and market trend with discretionary bonus, which is distributable based on the Group’s operating results and individual performance. Total staff costs (including Directors’ emoluments) for the period under review were approximately HK\$24.7 million (six months ended 30 September 2005: HK\$9.6 million).

PROSPECTS

With the increasing needs of maintenance for waterworks installations and replacement and rehabilitation of existing water mains in Hong Kong, the management sees bright prospects for the business in the years to come. The Group will further improve the quality of service, enhance management capabilities and competitiveness to bid for more rewarding engineering contracts in Hong Kong. As for the China market, the Group will continue to explore potential waterworks-related projects to bring satisfactory returns to its shareholders.

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 September 2006, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**") which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executives of the Company were deemed or taken to have under such provisions of the SFO) or which were required to be and were recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") adopted by the Company were as follows:

Long positions in the ordinary shares of HK\$0.10 each of the Company (the "Shares")

Name of Director	Nature of Interest	Number of Shares	Percentage of issued share capital
Mr. YUEN Chow Ming	Interest of controlled corporation (Note 1)	240,000,000	75%
Mr. SO Yiu Cheung	Interest of controlled corporation (Note 2)	240,000,000	75%
Mr. YUEN Wai Keung	Interest of controlled corporation (Note 3)	240,000,000	75%

OTHER INFORMATION

Notes:

- (1) The 240,000,000 Shares are registered in the name of Robinhoods Development Limited ("**Robinhoods**"), of which Able Promise Holdings Ltd ("**Able Promise**") is entitled to exercise, or control the exercise of, one-third of the voting power at general meetings. Able Promise is wholly-owned by Mr. YUEN Chow Ming. Mr. YUEN Chow Ming is therefore deemed to be interested in these Shares under the SFO.
- (2) The 240,000,000 Shares are registered in the name of Robinhoods, of which Group Honour Assets Limited ("**Group Honour**") is entitled to exercise, or control the exercise of, one-third of the voting power at general meetings. Group Honour is wholly-owned by Mr. SO Yiu Cheung. Mr. SO Yiu Cheung is therefore deemed to be interested in these Shares under the SFO.
- (3) The 240,000,000 Shares are registered in the name of Robinhoods, of which Foremost Time Holdings Limited ("**Foremost Time**") is entitled to exercise, or control the exercise of, one-third of the voting power at general meetings. Foremost Time is wholly-owned by Mr. YUEN Wai Keung. Mr. YUEN Wai Keung is therefore deemed to be interested in these Shares under the SFO.

Long positions in the shares of associated corporations

Name of Director	Name of associated corporations	Number of shares held in the associated corporation	Approximate percentage of issued share capital
Mr. YUEN Chow Ming	Robinhoods	four (Note 1)	33.33%
	Able Promise	one	100%
Mr. SO Yiu Cheung	Robinhoods	four (Note 2)	33.33%
	Group Honour	one	100%
Mr. YUEN Wai Keung	Robinhoods	four (Note 3)	33.33%
	Foremost Time	one	100%

OTHER INFORMATION

Notes:

- (1) The four (4) shares are held by Able Promise, a company wholly-owned by Mr. YUEN Chow Ming. Accordingly, Mr. YUEN is deemed to be interested in such four shares in Robinhoods.
- (2) The four (4) shares are held by Group Honour, a company wholly-owned by Mr. SO Yiu Cheung. Accordingly, Mr. SO is deemed to be interested in such four shares in Robinhoods.
- (3) The four (4) shares are held by Foremost Time, a company wholly-owned by Mr. YUEN Wai Keung. Accordingly, Mr. YUEN is deemed to be interested in such four shares in Robinhoods.

Save as disclosed above, as at 30 September 2006, none of the Directors and chief executives of the Company and their respective associates, had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executives of the Company were deemed or taken to have under such provisions of the SFO) or which were required to be and were recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code set out in the Listing Rules adopted by the Company.

OTHER INFORMATION

SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as the Directors are aware of, as at 30 September 2006, the following persons had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO:

Long positions in the Shares

Name of Shareholders	Nature of Interest	Number of Shares <i>(Note)</i>	Percentage of issued share capital
Robinhoods	Beneficial owner	240,000,000	75%
Able Promise	Interest of controlled corporation	240,000,000	75%
Group Honour	Interest of controlled corporation	240,000,000	75%
Foremost Time	Interest of controlled corporation	240,000,000	75%

Note: The 240,000,000 Shares are registered in the name of Robinhoods, of which each of Able Promise, Group Honour and Foremost Time is entitled to exercise, or control the exercise of, one-third of the voting power at general meetings.

Save as disclosed above, as at 30 September 2006, there was no other person (other than the Directors or the chief executives of the Company) who was recorded in the register of the Company as having an interest or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

OTHER INFORMATION

SHARE OPTIONS

The Company has adopted a share option scheme (the “**Scheme**”) pursuant to a written resolution of all the then shareholders passed on 25 February 2006. The purpose of the Scheme is to recognise and acknowledge the contributions that the eligible participants have made or may make to the business development of the Group. Eligible participants of the Scheme include (i) the Company’s executive, non-executive or independent non-executive Directors or a director of an entity in which the Group holds an interest (the “**Affiliate**”); (ii) other employee or officer of the Group or any Affiliate; (iii) customer, supplier, agent, partner, consultant, adviser or shareholder of or contractor to the Group or any Affiliate; (iv) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include persons under (i), (ii) and (iii); and (v) a company beneficially owned by any persons under (i), (ii) and (iii).

The Scheme shall be valid and effective for a period of ten years commencing on the date of adoption of the Scheme, i.e. 25 February 2006. No share option has been granted by the Company under the Scheme since its adoption and up to the date of this report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 September 2006, neither the Company nor any of its subsidiaries has purchased, sold nor redeemed any of the Shares.

THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Board considers that good corporate governance is essential for enhancing accountability and transparency of a company to the investment public and other shareholders. Therefore, the Directors are dedicated to maintain high standard corporate governance practices. The Board reviews its corporate governance practices from time to time in order to meet the rising expectations of shareholders and to fulfill its commitment to excellence in corporate governance.

OTHER INFORMATION

The Company has complied with the applicable code provisions of the Code on Corporate Governance Practices set out in appendix 14 to the Listing Rules for the six months ended 30 September 2006.

The Company has adopted the Model Code set out in appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. The obligations to comply with the Listing Rules are set out in the terms of the service contracts of each executive Director and the letters of appointment of each independent non-executive Director. The Company has made specific enquiries with the Directors, and all Directors have confirmed that they have complied with the requirements set out under the Model Code for the six months ended 30 September 2006.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") comprises three independent non-executive Directors, namely Mr. CHEUNG Chi Man, Dennis (as chairman of the Audit Committee), Dr. HO Chung Tai, Raymond and Professor LEUNG Yee Tak. The Audit Committee has reviewed with the Company's management and the external auditors, the unaudited condensed consolidated interim results of the Group for the six months ended 30 September 2006 before submission to the Board for approval. The Audit Committee was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure have been made.

By Order of the Board
YUEN Chow Ming
Chairman

Hong Kong, 14 December 2006

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2006

	Notes	Six months ended 30 September	
		2006 HK\$'000 (Unaudited)	2005 HK\$'000 (Audited)
REVENUE	4	187,187	83,221
Cost of sales		(163,841)	(60,545)
GROSS PROFIT		23,346	22,676
Other income	4	826	375
Administrative expenses		(15,444)	(8,849)
PROFIT FROM OPERATIONS	5	8,728	14,202
Finance costs	6	(1,123)	(226)
PROFIT BEFORE INCOME TAX		7,605	13,976
Income tax expense	7	(912)	(2,446)
PROFIT FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		6,693	11,530
DIVIDENDS	8	–	–
EARNINGS PER SHARE	9	HK cents	HK cents
– Basic		2.09	4.80
– Diluted		N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2006

	Notes	At 30 September 2006 HK\$'000 (Unaudited)	At 31 March 2006 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	30,161	19,560
Retention receivables	11	1,056	1,567
Pledged bank deposit		–	5,096
		31,217	26,223
CURRENT ASSETS			
Amounts due from customers of contract works		155,098	63,007
Trade and other receivables	11	29,509	17,778
Pledged bank deposits		14,354	6,131
Cash and cash equivalents		33,703	97,067
		232,664	183,983
CURRENT LIABILITIES			
Trade and other payables	12	63,079	44,494
Borrowings	13	61,015	12,252
Provision for tax		1,007	1,653
		125,101	58,399
NET CURRENT ASSETS		107,563	125,584
TOTAL ASSETS LESS CURRENT LIABILITIES		138,780	151,807
NON-CURRENT LIABILITIES			
Borrowings	13	7,065	15,000
Deferred tax		1,868	2,133
		8,933	17,133
NET ASSETS		129,847	134,674
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Share capital	14	32,000	32,000
Proposed final dividend		–	11,520
Reserves		97,847	91,154
TOTAL EQUITY		129,847	134,674

SO Yiu Cheung
Director

YUEN Wai Keung
Director

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2006

	Share capital	Share premium	Merger reserve	Retained profits	Proposed final dividend	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Audited)						
At 1 April 2005	12	–	13,805	38,240	–	52,057
Profit for the period/Total recognised income and expense for the period	–	–	–	11,530	–	11,530
At 30 September 2005	12	–	13,805	49,770	–	63,587
(Unaudited)						
At 1 April 2006	32,000	12,010	13,805	65,339	11,520	134,674
Profit for the period/Total recognised income and expense for the period	–	–	–	6,693	–	6,693
Final dividend payment	–	–	–	–	(11,520)	(11,520)
At 30 September 2006	32,000	12,010	13,805	72,032	–	129,847

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2006

	Six months ended	
	30 September	
	2006	2005
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Net cash used in operating activities	(76,239)	(17,363)
Net cash used in investing activities	(10,066)	(16,119)
Net cash generated from/(used in) financing activities	22,941	(25)
Net decrease in cash and cash equivalents	(63,364)	(33,507)
Cash and cash equivalents at beginning of the period	97,067	79,961
Cash and cash equivalents at end of the period	33,703	46,454
Analysis of cash and cash equivalents		
Cash at banks and in hand	33,708	46,454
Bank overdrafts	(5)	–
	33,703	46,454

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2006

1. GENERAL INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 25 May 2004 and its shares were listed on the Main Board of the Stock Exchange on 14 March 2006. The registered office of the Company is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business is situated at Units 1809-1812, Telford House, 16 Wang Hoi Road, Kowloon Bay, Hong Kong.

The Group is principally engaged in the provision of maintenance and construction works on civil engineering contracts in respect of waterworks engineering services, road works and drainage services and slope upgrading for the public sector in Hong Kong.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the six months ended 30 September 2006 (the “**Interim Financial Statements**”) have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosure requirements of appendix 16 to the Listing Rules. The Interim Financial Statements do not include all of the information required for full annual financial statements and thereby they should be read in conjunction with the Group’s annual financial statements for the year ended 31 March 2006. The audited comparative figures should be referred to the Accountants’ Report in Appendix I to the Company’s prospectus dated 3 March 2006.

The Interim Financial Statements were approved for issue by the Board on 14 December 2006.

3. PRINCIPAL ACCOUNTING POLICIES

The Interim Financial Statements have been prepared under the historical cost convention except for the revaluation of certain financial assets and financial liabilities.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2006

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

The accounting policies used in preparing the Interim Financial Statements are consistent with those followed in the Group's annual financial statements for the year ended 31 March 2006 with the addition of certain standards of Hong Kong Financial Reporting Standards ("HKFRS") issued and became effective in the current period as described below.

3.1 Impact of new or revised HKFRS which are effective in the current financial period

In the current period, the Group has applied, for the first time, of the following new or revised standards of HKFRS relevant to its operations which are effective for accounting periods beginning on or after 1 January 2006:

HKAS 39 & HKFRS 4 (Amendment)	Financial Instruments: Recognition and Measurement and Insurance Contracts – Financial Guarantee Contracts
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The adoption of the above standards does not result in substantial changes to the Group's accounting policies and has no significant financial effect on the Interim Financial Statements.

3.2 Impact of new or revised HKFRS which are issued but not yet effective

The following are standards and interpretation relevant to the operations of the Group which are issued but not yet effective in the current financial period:

HKAS 1 (Amendment)	Capital Disclosures ¹
HKFRS 7	Financial Instruments – Disclosures ¹
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment ²

¹ Effective for annual periods beginning on or after 1 January 2007

² Effective for annual periods beginning on or after 1 November 2006

The Group has not early adopted the above standards and interpretation. The Directors anticipate that the adoption of the above standards and interpretation will not result in significant changes in accounting policies of the Group or have significant financial impact on the Group's financial statements in the period of initial application.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2006

4. REVENUE, OTHER INCOME AND SEGMENT INFORMATION

Revenue, which is also the Group's turnover, represents contract revenue from maintenance and construction works on civil engineering contracts. An analysis of revenue and other income is as follows:

	Six months ended	
	30 September	
	2006	2005
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Revenue	187,187	83,221
Other income:		
Bank interest income	826	375
	188,013	83,596

The Group is principally engaged in the waterworks engineering contracting business in Hong Kong and all of the Group's operating facilities are located in Hong Kong. Accordingly, no business and geographical segment analysis are presented.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2006

5. PROFIT FROM OPERATIONS

Profit from operations is arrived at after charging/(crediting):

	Six months ended 30 September	
	2006 HK\$'000 (Unaudited)	2005 HK\$'000 (Audited)
Auditors' remuneration	285	255
Depreciation of property, plant and equipment		
– owned assets	2,038	1,196
– leased assets	647	–
	2,685	1,196
(Gain)/Loss on disposal of property, plant and equipment	(2)	83
Staff costs (including Directors' emoluments)	24,671	9,631
Amount recognised as expense for retirement benefits scheme (included in staff costs)	968	471
Refunds of contributions to retirement benefits scheme (included in staff costs)	–	(15)
Operating lease charges		
– land and buildings	492	438
– plant and machinery	1,742	240
	2,234	678

6. FINANCE COSTS

	Six months ended 30 September	
	2006 HK\$'000 (Unaudited)	2005 HK\$'000 (Audited)
Interest charges on:		
Bank loans wholly repayable within five years	1,101	223
Interest element of finance leases	22	3
	1,123	226

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2006

7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 17.5% (six months ended 30 September 2005: 17.5%) on the estimated assessable profit for the period.

	Six months ended	
	30 September	
	2006	2005
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Hong Kong profits tax		
– current	1,177	1,277
– over provision in prior years	–	(49)
Deferred tax	(265)	1,218
Income tax expense	912	2,446

8. DIVIDENDS

No interim dividend has been declared by the Company in respect of the period (six months ended 30 September 2005: Nil).

9. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 September 2006 is based on the profit for the period of HK\$6,693,000 and the weighted average number of 320,000,000 Shares in issue during the period.

The calculation of basic earnings per share for the six months ended 30 September 2005 is based on the profit for the period of HK\$11,530,000 and the weighted average number of 240,000,000 Shares in issue during the period, as adjusted to reflect the shares issued in connection with the reorganisation and capitalisation issue prior to the listing of the Company.

Diluted earnings per Share for the periods ended 30 September 2006 and 30 September 2005 have not been presented as there were no dilutive potential shares.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2006

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2006, the Group incurred capital expenditure of approximately HK\$300,000 in furniture, fixtures and equipment, approximately HK\$771,000 in leasehold improvements, approximately HK\$5,633,000 in motor vehicles and approximately HK\$6,582,000 in machinery and tools. No significant disposal of property, plant and equipment was made during the period.

As at 30 September 2006, the cost of property, plant and equipment included an amount of HK\$13,858,000 (At 31 March 2006: Nil) in respect of assets held under finance leases and the related accumulated depreciation amounted to HK\$4,062,000 (At 31 March 2006: Nil).

11. TRADE AND OTHER RECEIVABLES

Details of the trade and other receivables including ageing analysis of trade receivables are as follows:

	At 30 September 2006 HK\$'000 (Unaudited)	At 31 March 2006 HK\$'000 (Audited)
Trade receivables		
Within 3 months	5,661	4,116
Retention receivables	4,313	3,660
Other prepayments	6,874	3,914
Deposits	787	898
Other receivables	12,930	6,757
	30,565	19,345
Less: Retention receivables included under non-current assets	(1,056)	(1,567)
	29,509	17,778

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2006

12. TRADE AND OTHER PAYABLES

Details of the trade and other payables including ageing analysis of trade payables (based on invoice date) are as follows:

	At 30 September 2006 HK\$'000 (Unaudited)	At 31 March 2006 HK\$'000 (Audited)
Trade payables		
Within 3 months	27,187	26,201
4 to 6 months	7,453	1,343
7 to 9 months	1,042	429
10 to 12 months	64	1,062
Over 12 months	532	707
	36,278	29,742
Retention payables	479	479
Other payables and accruals	26,322	14,273
	63,079	44,494

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2006

13. BORROWINGS

	At 30 September 2006 HK\$'000 (Unaudited)	At 31 March 2006 HK\$'000 (Audited)
Current		
Bank loans, secured (note (a))	57,283	12,252
Finance lease liabilities (note (b))	3,732	–
	61,015	12,252
Non-current		
Bank loans, secured	–	15,000
Finance lease liabilities (note (b))	7,065	–
	7,065	15,000
Total borrowings	68,080	27,252
Analysed into:		
Bank loans repayable		
Within one year	57,283	12,252
In the second year	–	15,000
	57,283	27,252
Other borrowings repayable		
Within one year	3,732	–
In the second year	3,880	–
In the third to fifth year	3,185	–
	10,797	–
	68,080	27,252

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2006

13. BORROWINGS (Continued)

Notes:

- (a) The bank loans amounting to HK\$57,283,000 (At 31 March 2006: HK\$12,252,000) are secured by charge over certain bank deposits amounting to HK\$14,354,000 (At 31 March 2006: HK\$6,131,000) and corporate guarantee of the Company.
- (b) The analysis of the obligations under finance leases is as follows:

	At 30 September 2006 HK\$'000 (Unaudited)	At 31 March 2006 HK\$'000 (Audited)
Due within one year	4,261	–
Due in the second year	4,187	–
Due in the third to fifth year	3,283	–
	11,731	–
Future finance charges on finance leases	(934)	–
Present value of finance lease liabilities	10,797	–
Analysis of present value of financial lease liabilities:		
Due within one year	3,732	–
Due in the second year	3,880	–
Due in the third to fifth year	3,185	–
	10,797	–
Less: portion due within one year included under current liabilities	(3,732)	–
Non-current portion included under non-current liabilities	7,065	–

- (c) Other information about the borrowings:

	At 30 September 2006		At 31 March 2006	
	Original currency	Floating interest rate	Original currency	Floating interest rate
Bank loans	HK\$	5.3% – 7.3%	HK\$	5.7% – 7.3%
Finance lease liabilities	HK\$	5.8% – 5.9%	–	–

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2006

14. SHARE CAPITAL

	At 30 September 2006 (Unaudited)			At 31 March 2006 (Audited)		
	Par value HK\$	Number of ordinary shares	Nominal value HK\$'000	Par value HK\$	Number of ordinary shares	Nominal value HK\$'000
Authorised						
Balance at beginning of the period/year	0.1	1,000,000,000	100,000	1.0	380,000	380
Subdivision of shares		-	-		3,420,000	-
	0.1	1,000,000,000	100,000	0.1	3,800,000	380
Increase in authorised share capital	-	-	-	0.1	996,200,000	99,620
Balance at end of the period/year	0.1	1,000,000,000	100,000	0.1	1,000,000,000	100,000
Issued and fully paid						
Balance at beginning of the period/year	0.1	320,000,000	32,000	1.0	3	-
Subdivision of shares		-	-		27	-
	0.1	320,000,000	32,000	0.1	30	-
Issue of shares in connection with reorganisation	-	-	-	0.1	119,970	12
Capitalisation of share premium account	-	-	-	0.1	239,880,000	23,988
Issue of shares	-	-	-	0.1	80,000,000	8,000
Balance at end of the period/year	0.1	320,000,000	32,000	0.1	320,000,000	32,000

Details of movement in the share capital for the year ended 31 March 2006 were set out in the 2006 annual report of the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2006

15. COMMITMENTS

- (a) The Group has committed to purchase construction materials from a customer in respect of certain civil engineering contracts. The outstanding amount of purchases under commitment as at 30 September 2006 was approximately HK\$10,421,000 (At 31 March 2006: HK\$16,992,000).

In respect of the purchase commitments, performance bonds of HK\$16,316,000 (At 31 March 2006: HK\$23,543,000) which represents the original amount of the construction materials that the Group has committed to purchase have been issued by a bank in favour of the customer for due performance of the contracts by the Group.

- (b) As at 31 March 2006, the future aggregate minimum lease rental payable under a non-cancellable operating lease in respect of land and buildings was as follows:

	At 30 September 2006 HK\$'000 (Unaudited)	At 31 March 2006 HK\$'000 (Audited)
Within one year	984	984
In the second to fifth year	492	984
	1,476	1,968

The Group leases certain properties under an operating lease. The lease runs for an initial period of three years and eight months, with an option to renew the lease and renegotiate the terms at the expiry date. The lease does not include any contingent rentals.

Save as disclosed above, the Group did not have any other material commitment as at 30 September 2006.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2006

16. CONTINGENT LIABILITIES AND LITIGATIONS

A labour lawsuit arising from the ordinary course of business has been lodged against the Group during the year ended 31 March 2006 and no specific claim amount has been stated in the relevant application submitted to the court. The case is still at its early stage and there is no reliable basis to quantify the potential liability, if any, which may arise as a result of the claim.

In the opinion of the Directors, sufficient insurance policies are maintained to cover the potential liability, if any, arising from the lawsuit and therefore the ultimate liability under the lawsuit would not have a material adverse impact on the financial position of the Group.

During the six months ended 30 September 2006, a member of the Group has received two claims of an approximate total amount of HK\$7.0 million from a sub-contractor in respect of two completed projects. The legal advisers of the Group on these two claims are of the opinion that the relevant member of the Group has a good case not only to defend but also to counterclaim the overpaid amount, if any. On this basis, the Directors consider that the claims will unlikely result in any material financial impact on the Group.

17. RELATED PARTY TRANSACTIONS

During the period, the Group entered into the following related party transactions:

(i) Transactions with a related company

	Six months ended	
	30 September	
	2006	2005
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Rental expenses for office premises paid to Grand Media Limited	492	428

The Directors of the Company, Mr. Yuen Chow Ming, Mr. So Yiu Cheung and Mr. Yuen Wai Keung, have equity interests of 34%, 33% and 33%, respectively, in the above related company.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2006

17. RELATED PARTY TRANSACTIONS (Continued)

(ii) Key management personnel

Included in staff costs are key management personnel compensation which comprises the following categories:

	Six months ended 30 September	
	2006 HK\$'000 (Unaudited)	2005 HK\$'000 (Audited)
Salaries, allowances and benefits in kind	2,134	2,321
Post-employment benefits	36	42
	2,170	2,363

18. SUBSEQUENT EVENTS

Subsequent to 30 September 2006 and up to the date of this report, there are no significant events taken place.