

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2006

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 2006, the Group was principally involved in the undertaking of superstructure construction, foundation piling, substructure works, slope improvement, special construction projects, interior decoration and landscaping works in Hong Kong.

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 accounting policies and basis of preparation used in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31 March 2006.

In the current period, the Group has adopted, for the first time, a number of new standards, amendments and interpretations (hereinafter collectively referred to as the "new HKFRS") issued by the HKICPA, which are effective for accounting periods beginning on or after 31 December 2005 or 1 January 2006. The adoption of these new HKFRSs has had no material effect on how the results of operations and financial position of the Group are prepared and presented. For those which are not yet effective, the Group is in the process of assessing their impact on the Group's results and financial position.

Following the adoption and application of various HKFRSs in the preparation of its financial statements for the year ended 31 March 2006, the Group has restated its interim results for the six months ended 30 September 2005. Accordingly, the Group's administrative expenses for the six months ended 30 September 2005 were decreased by approximately HK\$3,000 and finance costs were increased by approximately HK\$24,000. As a result, the Group's profit attributable to shareholders was decreased by approximately HK\$21,000 (restated from HK\$3,695,000 to HK\$3,674,000) and earnings per share were decreased by HK0.06 cents (restated from HK11.02 cents to HK10.96 cents). Certain comparative figures have been restated to conform with the current period's presentation.

3. Turnover

Turnover represents the aggregate of the gross value of work earned from superstructure construction, foundation piling, substructure works, slope improvement, special construction projects, interior decoration and landscaping works.

4. Earnings per share

The calculations of basic and diluted earnings per share are based on the Group's profit attributable to shareholders of the Company for the six months ended 30 September 2006 of approximately HK\$5,597,000 (2005: HK\$3,674,000).

The basic earnings per share is based on the weighted average number of shares in issue during the six months ended 30 September 2006 of 46,145,055 (2005: 33,514,754 (restated)). No diluted earnings per share for the six months ended 30 September 2006 has been presented as the warrants had an anti-dilutive effect on the basic earnings per share for the period ended 30 September 2006.

5. Profit/(Loss) from operating activities

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

	Six months ended 30 September	
	2006 (Unaudited)	2005 (Unaudited) (Restated)
	HK\$'000	HK\$'000
Cost of services provided	206,210	229,654
Depreciation	2,504	2,786
Less: Amounts capitalized in construction contracts	(1,839)	(1,319)
	665	1,467
Minimum lease payments under operating leases:		
Leasehold land and buildings	866	859
Less: Amounts capitalized in construction contracts	(442)	(363)
	424	496
Plant and machinery	3,021	5,473
Less: Amounts capitalized in construction contracts	(3,021)	(5,473)
	-	-
	424	496
Staff costs (including directors' remuneration)		
Wages and salaries	45,401	27,602
Pension scheme contributions	1,680	805
Less: Amounts capitalized in construction contracts	(13,221)	(17,937)
	33,860	10,470

**Six months ended
30 September**

	2006 (Unaudited) HK\$'000	2005 (Unaudited) (Restated) HK\$'000
Reversal of provision for non-recoverable amounts due from contract customers*	–	(238)
Reversal of provision for non-recoverable amounts due from an associate*	(129)	–
Surplus arising from revaluation* of an investment property	–	(300)
Loss on disposal of property, plant and equipment*	97	50
Amortization of prepaid land lease payments	8	8
Interest income	(371)	(422)

* These items are included in "Other operating income, net" on the face of the condensed consolidated profit and loss account.

6. Tax

- (a) Hong Kong profits tax was provided at the rate of 17.5% (six months ended 30 September 2005: 17.5%) on the estimated assessable profits arising in or derived from Hong Kong. Deferred tax on deductible/taxable temporary differences reversed during the period has been charged/credited to the profit and loss account using the applicable rates of tax in Hong Kong.
- (b) The tax charge for the period is made up as follows:

**Six months ended
30 September**

	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Group		
Current Hong Kong profits tax		
– provision for the period	549	–
– overprovision for prior period	–	–
Deferred tax	(38)	38
	511	38

7. Accounts receivable

Included in accounts receivable are the following amounts related to construction contracts.

	30 September 2006 (Unaudited) HK\$'000	31 March 2006 (Audited) HK\$'000
Contract costs incurred plus recognized profits less recognised losses to date	489,101	416,749
Less: Progress billings	(471,114)	(394,141)
Amounts due from contract customers	17,987	22,608

An aged analysis of the Group's other accounts receivable, inclusive of contract retention receivables classified as non-current assets, as at the balance sheet date and net of provisions is as follows:

	30 September 2006 (Unaudited) HK\$'000	31 March 2006 (Audited) HK\$'000
Accounts receivable		
Aged analysis by invoice date		
Current to 90 days	71,621	55,673
91 days to 180 days	58	743
181 days to 365 days	1,508	651
Over 365 days	2,909	6,071
	76,096	63,138
Contract retention receivables		
Retentions held by contract customers	28,703	32,770
Less: contract retention receivables classified as non-current assets	(2,554)	(3,963)
Retentions held by contract customers included in accounts receivable under current assets	26,149	28,807
Amounts due from contract customers	17,987	22,608
Total accounts receivable as shown under current assets	120,232	114,553

8. Accounts payable

Included in accounts payable are the following amounts related to construction contracts.

	30 September 2006 (Unaudited) HK\$'000	31 March 2006 (Audited) HK\$'000
Contract costs incurred plus recognized profits less recognized losses to date	365,237	430,520
Less: Progress billings	(385,562)	(456,539)
Amounts due to contract customers	20,325	26,019

An aged analysis of the Group's other accounts payable as at the balance sheet date is as follows:

	30 September 2006 (Unaudited) HK\$'000	31 March 2006 (Audited) HK\$'000
Accounts payable		
Aged analysis by invoice date		
Current to 90 days	39,319	36,806
91 days to 180 days	4,545	5,596
181 days to 365 days	6,103	8,050
Over 365 days	27,523	24,450
	77,490	74,902
Amounts due to contract customers	20,325	26,019
Total accounts payable as shown under current liabilities	97,815	100,921

9. Share capital

	Number of shares	Amount HK\$'000
<i>Authorised:</i>		
At 31 March 2006	1,000,000,000	100,000
Share consolidation	(900,000,000)	–
	<u>100,000,000</u>	<u>100,000</u>
<i>At 30 September 2006</i>		
<i>Issued and fully paid:</i>		
At 31 March 2006	362,000,000	36,200
Share consolidation	(325,800,000)	–
Issue of new shares	18,100,000	18,100
	<u>54,300,000</u>	<u>54,300</u>
<i>At 30 September 2006</i>		

10. Contingent liabilities

As at the balance sheet date, the Group had the following contingent liabilities:

	30 September 2006 (Unaudited) HK\$'000	31 March 2006 (Audited) HK\$'000
Guarantees in respect of performance bonds in favour of contract customers	<u>54,122</u>	<u>22,125</u>

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

11. Segment information

The Group's operations are principally undertaken in Hong Kong. An analysis of the Group's turnover and profit from operating activities by principal activity, in respect of the Group's operations for the six months ended 30 September 2006 is as follows:

2006

	Superstructure construction works (Unaudited) HK\$'000	Foundation piling and substructure works (Unaudited) HK\$'000	Special construction projects (Unaudited) HK\$'000	Interior decoration and landscaping works (Unaudited) HK\$'000	Corporate and others (Unaudited) HK\$'000	Eliminations (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000
Segment revenue:							
Sales to external customers	175,911	19,854	1,653	11,810	17,750	-	226,978
Intersegment sales	-	167	-	22,471	-	(22,638)	-
Other revenue	659	24,358	6	-	345	-	25,368
Intersegment revenue	-	-	-	400	7,945	(8,345)	-
Total	176,570	44,379	1,659	34,681	26,040	(30,983)	252,346
Segment results	1,324	4,337	(2,056)	3,779	(706)		6,678
Interest income							371
Profit from operating activities							7,049

2005

	Superstructure construction works (Unaudited) HK\$'000	Foundation piling and substructure works (Unaudited) HK\$'000	Special construction projects (Unaudited) HK\$'000	Interior decoration and landscaping works (Unaudited) HK\$'000	Corporate and others (Unaudited) HK\$'000	Eliminations (Unaudited) HK\$'000	Consolidated (Unaudited) (Restated) HK\$'000
Segment revenue:							
Sales to external customers	135,772	33,365	44,555	10,587	17,223	-	241,502
Intersegment sales	287	2,023	2,465	34,296	-	(39,071)	-
Other revenue	121	1,970	23	157	273	-	2,544
Intersegment revenue	-	-	-	-	11,942	(11,942)	-
Total	136,180	37,358	47,043	45,040	29,438	(51,013)	244,046
Segment results	4,660	5,347	(15,122)	(322)	3,678		(1,759)
Interest income							422
Loss from operating activities							(1,337)

12. Commitments

Operating lease commitments

(a) *As lessor*

At the balance sheet date, the Group had total future minimum lease receivables under non-cancelable operating leases with its tenant falling due as follows:

	30 September 2006 (Unaudited) HK\$'000	31 March 2006 (Audited) HK\$'000
Within one year	<u>9</u>	<u>9</u>

(b) *As lessee*

At the balance sheet date, the Group had total future minimum lease payments under non-cancelable operating leases falling due as follows:

	30 September 2006 (Unaudited) HK\$'000	31 March 2006 (Audited) HK\$'000
Within one year	<u>143</u>	<u>391</u>

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

13. Pledge of assets

As at 30 September 2006, the Group's assets were pledged as follows:

- (i) pledged bank deposits amounted to HK\$18,136,000;
- (ii) legal charges over the Group's leasehold land and buildings, which are all situated in Hong Kong, with carrying values of approximately HK\$10,263,000; and
- (iii) legal charges over the Group's investment property situated in Hong Kong, with carrying value of approximately HK\$4,400,000.

14. Subsequent events

Subsequent to the balance sheet date, Wing Hing Group (BVI) Limited, a direct wholly owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party (the "Purchaser") and the ultimate beneficial owner of the Purchaser pursuant to which Wing Hing Group (BVI) Limited agreed to sell and the Purchaser agreed to acquire the entire issued share capital of Anpoint Engineering Limited ("Anpoint"), an indirect wholly owned subsidiary of the Company, for a consideration of HK\$1.00.

Upon completion of the sale and purchase agreement, the Group has ceased to hold any equity interests in Anpoint. Following the disposal, Anpoint has ceased to be a subsidiary of the Company. Further details relating to the aforesaid transactions are set out in the Company's circular dated 9 November 2006.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Despite the difficult market conditions, the Group has recorded a turnover of HK\$227 million which represents a 6% decrease compared with the turnover recorded in the corresponding period of last year. During the period under review, the Group recorded a net profit from ordinary activities attributable to shareholders of approximately HK\$5.6 million compared with a net profit from ordinary activities attributable to shareholders of approximately HK\$3.7 million for the corresponding period of last year.

Construction and Building

The construction and building contracts secured in the first half of the financial year include a proposed through-train school development at Shek Mun, Shatin, a renovation works contract for Windsor House at Causeway Bay, temporary entrance and Skyfair works at Ocean Park and a piling contract at No.358-364 Un Chau Street, Sham Shui Po. The aggregate value of contracts secured during the period was approximately HK\$406 million.

As regards completed projects, the Group has satisfactorily completed the piling contract for a residential development at No. 464-474 Castle Peak Road, the piling contract at No. 358-364 Un Chau Street, Sham Shui Po and two contracts for an internationally reputed theme park at Lantau.

Due to the poor performance of the subsidiary undertaking electrical and mechanical works which could not contribute profits to the Group, the Group had disposed this subsidiary recently so that the Group's resources can be better utilized on other profitable operations.