



WING HONG (HOLDINGS) LIMITED

榮康(控股)有限公司*

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 745



Interim Report

2006

*For identification purpose only

Corporate Information

Executive Directors

Mr. Hui Chi Yung (*Chairman*)
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

Mr. Shea Chun Lok *BBus, CPA, CPA (Aust.)*

Qualified Accountant

Mr. Tam Ping Kuen, Daniel *MSc, CPA, FCCA*

Auditors

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

Registered Office

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

Head Office and Principal Place of Business

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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
26th Floor, Tesbury Centre
28 Queen's Road East
Hong Kong

Ordinary Share Listing

Main Board of The Stock Exchange of
Hong Kong Limited
(Stock code: 745)

The board of directors (the "Directors") of Wing Hong (Holdings) Limited (the "Company") hereby announces the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2006, together with the appropriate comparative figures as follows:

Condensed Consolidated Income Statement

For the six months ended 30 September 2006

		Six months ended	
		30 September	
		2006	2005
	Note	(unaudited)	(unaudited)
		HK\$'000	HK\$'000
Turnover - contract revenue	3	36,986	72,492
Contract costs		(37,677)	(68,341)
Gross (loss) profit		(691)	4,151
Other revenue	4	1,028	1,704
Other income	4	865	4
Administrative expenses		(7,237)	(8,721)
Other operating expenses		—	—
Loss from operating activities	5	(6,035)	(2,862)
Finance costs		(1,349)	(2)
Share of profits and losses of:			
A joint-controlled entity		—	—
An associate		—	—
Loss before tax		(7,384)	(2,864)
Taxation	6	—	78
Loss for the period		(7,384)	(2,786)
Attributable to:			
— Equity holders of the Company		(8,299)	(1,982)
— Minority interest		915	(804)
		(7,384)	(2,786)
Dividends	7	—	—
Loss per share	8		
— Basic, HK cents		(0.78)	(0.19)
— Diluted		N/A	N/A

Condensed Consolidated Balance Sheet*As at 30 September 2006*

	As at 30 September 2006	As at 31 March 2006
<i>Note</i>	HK\$'000 (Unaudited)	<i>HK\$'000 (Audited)</i>
ASSETS		
Non-current assets		
Property, plant and equipment	470	567
Goodwill	1,810	1,810
Interest in a jointly-controlled entity	1,143	1,143
	3,423	3,520
Current assets		
Amount due from customers for contract work	44,610	41,571
Accounts receivable	124,268	129,275
Prepayments, deposits and other receivables	13,037	15,310
Loans to shareholders	200	200
Tax recoverable	674	674
Pledged time deposits	5,100	5,100
Cash and cash equivalents	45,589	51,590
	233,478	243,720
Non-current assets classified as held for sale	—	2,200
Total assets	236,901	249,440
EQUITY		
Capital and reserves attributable to the equity holders of the Company		
Share capital	10,640	10,640
Reserves	105,057	115,529
	115,697	126,169
Minority interests	3,618	3,294
Total equity	119,315	129,463

Condensed Consolidated Balance Sheet *(Continued)**As at 30 September 2006*

	As at 30 September 2006	As at 31 March 2006
<i>Note</i>	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
LIABILITIES		
Non-current liabilities		
Loan from shareholders	44,840	44,840
Deferred tax	130	130
	44,970	44,970
Current liabilities		
Amount due to customers for contract work	12,691	14,152
Accounts payable	55,198	56,981
Tax payable	74	24
Other payables and accruals	3,304	3,639
Amounts due to shareholders	1,349	—
	72,616	74,796
Liabilities directly associated with non-current assets classified as held for sale	—	211
	72,616	75,007
Total liabilities	117,586	119,977
Total equity and liabilities	236,901	249,440
Net current assets	160,862	170,913
Total assets less current liabilities	164,285	174,433
Net assets	115,697	126,169

Condensed Consolidated Statement of Changes in Equity*For the six months ended 30 September 2006*

	Issued share capital HK\$'000	Share premium account HK\$'000	Capital reserve HK\$'000	Investment property revaluation reserve HK\$'000	Exchange reserve HK\$'000	Retained profits/ (accumulated losses) HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1 April 2006	10,640	29,535	9,800	—	300	75,894	3,294	129,463
Exchange differences on translation of overseas subsidiaries not recognised in the condensed income statement	—	—	—	—	(2,173)	—	(591)	(2,764)
Loss attributable to shareholders	—	—	—	—	—	(8,299)	915	(7,384)
At 30 September 2006	10,640	29,535	9,800	—	(1,873)	67,595	3,618	119,315

	Issued share capital HK\$'000	Share premium account HK\$'000	Capital reserve HK\$'000	Investment property revaluation reserve HK\$'000	Exchange reserve HK\$'000	Retained profits/ (accumulated losses) HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1 April 2005								
As originally stated	10,640	29,535	9,800	410	—	88,841	2,703	141,929
Opening adjustments under HKFRSs:								
Adoption of HKFRS 3, HKAS 36 and HKAS 38	—	—	—	—	—	1,647	—	1,647
Adoption of HKAS 40	—	—	—	(410)	—	410	—	—
	10,640	29,535	9,800	—	—	90,898	2,703	143,576
Exchange differences on translation of overseas subsidiaries not recognised in the condensed income statement	—	—	—	—	(437)	—	—	(437)
Loss attributable to shareholders	—	—	—	—	—	(1,982)	(804)	(2,786)
At 30 September 2005	10,640	29,535	9,800	—	(437)	88,916	1,899	140,353

Condensed Consolidated Cash Flow Statement*For the six months ended 30 September 2006*

	Six months ended 30 September	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash (outflow)/inflow from operating activities	(7,752)	20,317
Net cash inflow from investing activities	3,100	2,922
Net cash (outflow)/inflow from financing activities	(1,349)	20,000
Net (decrease)/increase in cash and cash equivalents	(6,001)	43,239
Cash and cash equivalents at beginning of the period	51,590	25,387
Cash and cash equivalents at end of the period	45,589	68,626
Analysis of balances of cash and cash equivalents		
Cash and bank balances	45,589	68,743
Bank overdrafts	—	(117)
	45,589	68,626

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2006

1. Basis of preparation

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

Included in the accounts receivables balance under current assets in the consolidated balance sheet as at 30 September 2006, are accounts receivables, recorded based on architects certificates, of approximately HK\$120.5 million (the "Receivable Under Dispute") being currently withheld by one major customer of the Group (the "Customer") with respect to dispute with the aforesaid customer on claims arising from liquidated damages and alleged environmental related damages in relation to main contract works for a residential development project carried out in Kowloon Tong, Hong Kong, and the counter claiming of extension of time entitlement by the Group. The Receivable Under Dispute was certified by the architects of the respective residential development project.

As a result of the withholding of settlement of accounts receivable by the Customer, the working capital of the Group has been affected. In order to maintain the working capital of the Group, major shareholders of the Company have agreed to provide continual financial support to the Group in the form of shareholders' loan, of which approximately HK\$44.8 million of the loan had been made to the Group as at 30 September 2006.

In the opinion of the directors, in light of the continual financial support from the major shareholders, together with the anticipated settlement of the accounts receivable being withheld by the Customer, the Group would have sufficient financial resources to satisfy its working capital needs for the foreseeable future. Accordingly, the directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

2. Principal accounting policies

The unaudited condensed financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

The accounting policies used in the unaudited condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2006 except as described below.

In the current interim period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards, amendments and interpretations (new "HKFRSs") issued by the HKICPA, which are either effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. The application of these new HKFRSs has had no material effect on how the results for the current and prior accounting periods are prepared and presented. Accordingly, no prior period adjustment has been required.

2. Principal accounting policies *(Continued)*

HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures
HKAS 21 (Amendment)	The effects of change in foreign exchange rate — net investment in a foreign operation
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions
HKAS 39 (Amendment)	The fair value option
HKAS 39 & HKFRS 4 (Amendment)	Financial guarantee contracts
HKFRS 6	Exploration for and evaluation of mineral resources
HK(IFRIC) — INT 4	Determining whether an arrangement contains a lease
HK(IFRIC) — INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds
HK(IFRIC) — INT 6	Liabilities arising from participating in a specific market-value electrical and electronic equipment

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 are still not yet in the position to reasonably estimate the impact that may arise on the Group's results and financial position from the application of these standards, amendments or interpretations.

HKAS 1 (Amendment)	Capital disclosures ¹
HKFRS 7	Financial instruments: Disclosures ¹
HK(IFRIC) — INT 8	Scope of HKFRS 2 ²
HK(IFRIC) — INT 9	Reassessment of embedded derivatives ³
HK(IFRIC) — INT 10	Interim Financial Reporting and Impairment ⁴

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

² Effective for annual periods beginning on or after 1 May 2006.

³ Effective for annual periods beginning on or after 1 June 2006.

⁴ Effective for annual periods beginning on or after 1 November 2006.

3. Segmental information

The Group's operating businesses are structured and managed separately, according to the nature of their operations and service 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:

- (i) 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;
- (ii) the renovation, repairs and maintenance segments engages in site formation, civil engineering works, repairs, maintenance, renovation and fitting out works in the private and public and public sectors; and

3. Segmental information (Continued)

- (iii) the corporate and other segments comprises the Group's management services and properly holding businesses, which includes rental income and gain on disposal of investment properties, together with corporate income and expense items.

Segment information is presented by way of two segments: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment basis, by geographical segment.

In determining the Group's geographical segments, revenues and results are attributed to segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

The following table presents segment revenue and segment results by business segments, which is the Group's primary basis of segment reporting.

Business segments

For the six months ended 30 September 2006

	Building Construction		Renovations, repairs and maintenance		Consolidated	
	Six months ended 30 September		Six months ended 30 September		Six months ended 30 September	
	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Segment revenue:						
Contract revenue from external customers	10,732	17,166	26,254	55,326	36,986	72,492
Other revenue	15	205	57	58	72	263
Total	10,747	17,371	26,311	55,384	37,058	72,755
Segment results	(2,895)	(1,505)	(4,961)	(1,873)	(7,856)	(3,378)
Interest and unallocated gains					1,821	1,444
Unallocated expenses					—	(928)
Loss from operating activities					(6,035)	(2,862)
Finance costs					(1,349)	(2)
Loss before tax					(7,384)	(2,864)
Taxation					—	78
Loss for the period					(7,384)	(2,786)

3. Segmental information (Continued)

Business segments (Continued)

	Building Construction		Renovations, repairs and maintenance		Corporate and others		Consolidated	
	30 September 2006 (Unaudited) HK\$'000	31 March 2006 (audited) HK\$'000	30 September 2006 (Unaudited) HK\$'000	31 March 2006 (audited) HK\$'000	30 September 2006 (Unaudited) HK\$'000	31 March 2006 (audited) HK\$'000	30 September 2006 (Unaudited) HK\$'000	31 March 2006 (audited) HK\$'000
Segment assets	155,103	205,366	26,283	25,263	999	3,238	182,385	233,867
Interest in a jointly-controlled entity	1,143	1,143					1,143	1,143
Unallocated assets							53,373	14,430
Total assets							236,901	249,440
Segment liabilities	54,569	62,138	15,349	10,939	1,275	824	71,193	73,901
Unallocated liabilities							46,393	46,076
Total liabilities							117,586	119,977

Geographical segments

The Group's revenue and contribution to profit before taxation, analyzed by geographical markets are as follows:

For the six months ended 30 September 2006

	Turnover		Segment Results	
	Six months ended 30 September 2006 (unaudited) HK\$'000		Six months ended 30 September 2006 (unaudited) HK\$'000	
	2006 (unaudited) HK\$'000	2005 (unaudited) HK\$'000	2006 (unaudited) HK\$'000	2005 (unaudited) HK\$'000
Hong Kong	18,602	51,517	(9,093)	(2,742)
PRC	18,384	20,975	1,201	(870)
	36,986	72,492	(7,892)	(3,612)
Interest & Unallocated gains			1,857	1,677
Unallocated expenses			—	(927)
Loss from operating activities			(6,035)	(2,862)
Finance costs			(1,349)	(2)
Loss before tax			(7,384)	(2,864)
Taxation			—	78
Loss for the period			(7,384)	(2,786)

3. Segmental information (Continued)

Geographical segments (Continued)

	Hong Kong		PRC		Total	
	30 September 2006 (Unaudited) HK\$'000	31 March 2006 (audited) HK\$'000	30 September 2006 (Unaudited) HK\$'000	31 March 2006 (audited) HK\$'000	30 September 2006 (Unaudited) HK\$'000	31 March 2006 (audited) HK\$'000
Segment assets	224,551	236,906	12,350	12,534	236,901	249,440

4. Turnover, Other Revenue and Gains

	Six months ended 30 September	
	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Turnover — contract revenue	36,986	72,492
Other revenue and gains		
Management fee income, net	1	959
Interest income	882	400
Rental income	108	—
Bad debt recovered	—	200
Sundry income	37	145
Gain on disposal of fixed assets	865	4
	1,893	1,708

5. Loss from Operating Activities

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

	Six months ended	
	30 September	
	2006	2005
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Depreciation	70	176
Less: Amount capitalised as contract costs	(6)	(124)
	64	52
Interest income	(882)	(400)

6. Taxation

No provision for Hong Kong profits tax has been made as the Group has no estimated assessable profits arising in Hong Kong during for the six months ended 30 September 2006 (30 September 2005: HK\$78,000). 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.

	Six months ended	
	30 September	
	2006	2005
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Overprovision in prior periods — Hong Kong	—	78

7. Dividends

The directors resolved not to pay an interim dividend for the six months ended 30 September 2006 (30 September 2005: Nil).

8. Loss per share

The calculation of basic loss per share for the six months ended 30 September 2006 was based on the Group's net loss from ordinary activities attributable to shareholders for the period of approximately HK\$8,299,000 (30 September 2005: loss of HK\$1,982,000) and 1,064,000,000 (30 September 2005: 1,064,000,000) ordinary shares currently in issue.

No diluted earnings per share amounts have been presented for the six months ended 30 September 2005 and 2006 as there were no potential dilutive ordinary shares in existence for the periods.

9. Accounts Receivable

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

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

	As at 30 September 2006 HK\$'000 (Unaudited)	As at 31 March 2006 HK\$'000 (Audited)
Within 30 days	2,161	6,182
31 - 90 days	—	2,122
91 - 180 days	118	155
Over 180 days	121,989	120,820
	124,268	129,279
Less: Provision for impairment loss on accounts receivables	—	(4)
	124,268	129,275

Interim applications for progress payments for contract works are normally made on a monthly basis. The Group allows an average credit period of 60 days to its contract customers. For retention money receivables in respect of contract works, the due dates are usually not more than three months after the issue of statements of the final accounts of the contract works. As at 30 September 2006, no retentions held by customers for contract work were included in accounts receivable (31 March 2006: Nil).

10. Accounts Payable

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

	As at 30 September 2006 HK\$'000 (Unaudited)	As at 31 March 2006 HK\$'000 (Audited)
Within 30 days	4,244	2,213
31 - 90 days	1,370	4,443
91 - 180 days	355	20
Over 180 days	49,229	50,305
	55,198	56,981

11. Share Capital

	As at 30 September 2006 HK\$'000 (Unaudited)	As at 31 March 2006 HK\$'000 (Audited)
Authorised:		
2,000,000,000 (31 March 2006: 2,000,000,000) ordinary shares of HK\$0.01 each	20,000	20,000
Issued and fully paid:		
1,064,000,000 (31 March 2006: 1,064,000,000) ordinary shares of HK\$0.01 each	10,640	10,640

During the period from 27 August 2002 (date of incorporation) to 30 September 2006, the movements in the share capital of the Company were as follows:

- (a) Upon incorporation of the Company, the authorised share capital of the Company was HK\$100,000 dividend into 10,000,000 shares of HK\$0.01 each.
- (b) Pursuant to the written resolutions of all the shareholders of the Company passed 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 of HK\$0.01 each.
- (c) On 2 September 2002, on aggregate of 10,000,000 shares of HK\$0.01 each were allotted and issued nil paid.
- (d) On 6 September 2004, as part of the Group Reorganisation, 10,000,000 new shares of HK\$0.01 each in the Company were allotted and issued, credited as fully paid, and the existing 10,000,000 shares of HK\$0.01 each issued nil paid on 2 September 2002 as mentioned in (c) above, were credited as fully paid at par, in consideration and in exchange for the acquisition by the Company of the entire issued share capital of Wing Hong Investment.
- (e) Pursuant to the resolutions passed on 6 September 2004, a total of 852,480,000 shares of HK\$0.01 each in the Company were allotted and issued as fully paid at par, by way of capitalisation of the sum of HK\$8,524,800 standing to the credit of the share premium account of the Company. This allotment and capitalisation were conditional on the share premium account being credited as a result of the issue of new shares in connection with the placing and public offer of the new shares of the Company as disclosed in (f) below.
- (f) On 12 October 2004, 191,520,000 ordinary shares of HK\$0.01 each were issued at an issue price of HK\$0.25 each for a total cash consideration of HK\$47,880,000 through an initial public offering by way of placing and public offer. Share issue expenses of approximately HK\$7,905,000 were incurred in connection with the Company's initial public offering and were charged to the share premium account.

12. Share Option Scheme

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants for their contributions to the Group. Eligible participants of the Scheme include the part-time or full-time employee, executive or officer of the Group (including the executive and non-executive directors of the Company), business consultants, agents, financial or legal advisers who the board of directors of the Company considers, in its sole discretion, will contribute or have contributed to the Group.

The Scheme became effective on 6 September 2004 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue immediately after the listing of the Company on the Stock Exchange. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue as at the date of grant. Any further grant of share options in excess of this limit is subject to shareholders' approval in general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue on the date of offer and with an aggregate value (based on the closing price of the Company's shares at the date of the offer) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors and, commences after a certain vesting period and, ends on a date which is not later than 10 years from the date of grant.

The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of grant of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share of the Company.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

At the date of this interim report, the total number of shares available for issue under the Scheme is 106,400,000 shares representing 10% of the total issued share capital of the Company on that date.

No share option was granted, exercised, cancelled or lapsed under the Scheme at any time.

13. Contingent Liabilities

- (a) At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:
- (i) Guarantees given to financial institutions in respect of performance bonds by the Group of approximately HK\$5,102,000 (31 March 2006: HK\$5,102,000).
 - (ii) Guarantees given to banks in connection with facilities granted to subsidiaries by the Company of approximately HK\$55,050,000 (31 March 2006: HK\$55,050,000).

As at 30 September 2006, the guarantees given to banks in connection with facilities granted to subsidiaries by the Company were utilised to an extent of approximately HK\$5,100,000 (31 March 2006: HK\$5,100,000).

- (b) In the normal course of business, the Group is subject to claims of liquidated damages by relevant employers due to a 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 approval of these financial statements, save as disclosed in note 1 to the financial statements 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 7 August 2002, a High Court action had 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\$31,300,000; and (ii) a compensation claim of approximately HK\$191,200,000 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 were 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\$42,600,000 and HK\$84,400,000, respectively. On 9 July 2005, a writ of summons was issued and the proceedings were transferred to the Court of First Instance. The subcontractor further revised the claim of subcontracting fees and material costs and compensation claim to approximately HK\$56,000,000 and HK\$278,100,000 respectively.

As at the date of approval of these financial statements, no decision had been made in the arbitration and court proceedings. 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 financial statements.

13. Contingent Liabilities *(Continued)*

- (d) On 13 August 2003, 21 January 2004, 13 May 2004, 31 May 2004, 14 July 2004, 19 August 2004, 8 October 2004, 26 February 2005, 23 August 2005, 28 September 2005, 5 November 2005, 7 February 2006, 14 August 2006 and 29 August 2006 seven District Court actions and eight High Court actions had commenced by nine employees against subsidiaries of the Group and the other respondents in respect of claims for employees' compensation 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 the 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 ten employees 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 financial statements.

- (e) 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 in respect of subcontracting works performed in a residential development project in Kowloon Tong, Hong Kong. The amount of claim was approximately HK\$26,000,000.

On 5 May 2005, the subsidiary of the Group and the nominated subcontractor agreed to enter into a moratorium period of six months to the arbitration. On 13 April 2006, the subsidiary of the Group and the nominated subcontractor further agreed to suspend the arbitration proceedings for three months subject to the rights to re-active the proceedings upon a three day written notice to the subsidiary of the Group. As at the date of approval of these financial statements, in the opinion of the directors, no written notice has been received from the nominated subcontractor.

In the opinion of the directors, based on legal advice, the claim was related to a payment being withheld 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.

- (f) On 26 July 2005, a High Court action was commenced by a subcontracted party of a subcontractor of the Group (the "Subcontracted Party") against a subsidiary of the Group and the subcontractor, which is in liquidation, in respect of a claim of subcontracting fees and material costs of approximately HK\$20,500,000 relating to a maintenance term contract. On 25 April 2006, the Subcontracted Party substantially revised its statement of claim and the total amount of claim was revised to approximately HK\$14,241,000. In the opinion of the directors, based on legal advice, the subcontracted party's claim is equally untenable. The invoices referred to in the amended statement of claim of the subcontracted party did not sit well with the subcontracted party's pleaded case. Therefore, no provision in respect of such claims was made in the financial statements.

13. Contingent Liabilities *(Continued)*

- (g) On 19 October 2006, litigation had commenced by a subcontractor against a subsidiary of the Group in respect of a claim of finalizing subcontracting fee of approximately HK\$1.3 million for the completion of subcontracting work. The subcontracting fee of approximately HK\$222,000 is accounted for in the Group's financial statements for the six months ended 30 September 2006.
- (h) A subcontractor sent a Notice to Arbitration to a subsidiary of the Group to claim the final payment of a subcontracting fee.
- (i) As at 18 October 2006, a subcontractor commenced litigation against a subsidiary of the Group for a claim of final payment on subcontracting fee. On 28 November 2006, the subcontractor revised its Writ of Summons and claimed for approximately HK\$563,000.
- (j) A subcontractor commenced litigation against a subsidiary of the Group for a claim of final payment on a subcontracting fee. The Group settled the claims by approximately HK\$1.3 million.
- (k) A subcontractor commenced arbitration against a subsidiary of the Group for a claim of final subcontracting fee approximately HK\$5.6 million.
- (l) A subcontractor commenced arbitration against a subsidiary of the Group for a claim of finalized subcontracting fee approximately HK\$6.9 million.

Saved as disclosed above, as at 30 September 2006, the Group and the Company had no other material contingent liabilities.

14. Operating Lease Commitments***As lessee***

The Group leases a warehouse and office premises under operating lease arrangements, with leases negotiated for terms ranging from one to two years.

The Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 30 September 2006 (Unaudited) HK\$'000	As at 31 March 2006 (Audited) HK\$'000
Warehouses and office premises:		
Within one year	263	406
In the second to fifth years, inclusive	773	924
	1,036	1,330

15. Commitments

At the balance sheet date, the Group and the Company did not have any material capital commitments.

16. Related party transactions

In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the period:

	30 September 2006 (Unaudited) HK\$'000	30 September 2005 (Unaudited) HK\$'000
Office rental expense paid to First Win (Asia) Limited	327	327
Management fees received from WH-SCG, a jointly-controlled entity	1	—
Renovation fees received from Shanghai Jinjiang International Investment Co. Ltd. ("Jinjiang") and its subsidiaries and associates	3,415	—

Notes:

- (i) 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 area occupied by the Group at rates mutually agreed between the two parties.
- (ii) The management fees were charged at cost based on the salary of staff assigned to a project of WH-SCG and were mutually agreed between the two parties.
- (iii) Jinjiang is the minority shareholder of Jinjiang Wing Hong. The renovation fees were received in accordance with the terms of the renovation agreements signed between Jinjiang Wing Hong and Jinjiang and its subsidiaries and associates.

In the opinion of the directors, the above transactions arose in the ordinary course of business of the Group.

17. Subsequent Event

The Company announced on 7 December 2006 the placing of 146,832,000 existing shares by Rich Place Investment Limited ("the Vendor") at a price of HK\$0.041 per share and the subscription of 146,832,000 new shares at the same price of HK\$0.041 per new share. The net proceeds from the subscription of new shares are estimated to be approximately HK\$5.9 million. Further details of these transactions are set out in the announcement of the Company dated 7 December 2006.

18. Approval of the Financial Statements

The unaudited financial statements were approved and authorised for issue by the board of directors on 19 December 2006.

Management Discussion and Analysis**Financial Review**

For the six months ended 30 September 2006, the Group recorded a turnover of approximately HK\$36,986,000, representing a decrease of 48.98% compared to HK\$72.5 million of the corresponding period last year, Net loss of HK\$8,299,000 was recorded for the first six months for the fiscal year to the shareholders.

Business Review

The Group is principally engaged in a broad spectrum of construction works for both public and private sectors in Hong Kong. The construction market was challenging during the reported period, especially there is a downward movement in the property market after the uncertainty on interest rate movement.

Business Prospects

The renovation business in Hong Kong and China market is growing, the Group will place more resources on this valuable market. To strengthen our competitive ability in the construction and renovation industry, some new subcontractors with quality are working with the Group. In addition, it is also essential for our staff to introduce new clients to the Group. On the other hand, the Company is bidding the tenders in public sector and private sector aggressively.

To explore our business, we are now seeking for strategic partners actively. In addition, cost control remains one of the most important missions of the Group.

Capital Structure

There has been no significant change in the capital structure of the Group since 31 March 2006.

Liquidity, Financial Resources and Capital Structure

As at 30 September 2006, the Group had fixed deposits and cash balances aggregated to approximately HK\$50.7 million (31 March 2006: HK\$56.7 million). On 30 September 2006, there is no bank borrowing in the Group (31 March 2006: Nil).

The Group's gearing ratio, calculated by aggregate of interest-bearing borrowings, loans from shareholders and other non-current liabilities over total assets, increase to 19.0% at 30 September 2006 from 18.0% at 31 March 2006.

Exposure to Fluctuations in Exchange rates

Cash and bank deposits of the Group are either in HK dollars or RMB. The Group conducts its core business transaction mainly in HK dollars and RMB such that the Group did not use any derivative instruments to hedge its foreign currency exposure as the Group considered its foreign currency exposure is insignificant.

Staff

On 30 September 2006, the Group employed 37 full-time staff in Hong Kong and 13 full time staff in the PRC. They are remunerated at market level with benefits such as medical, retirement benefit and share option scheme.

Pledge of Assets

On 30 September 2006, certain time deposits amounted to HK\$5.1 million (31 March 2006: HK\$5.1 million) were pledged for performance bond facilities.

Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures

At 30 September 2006, the interests and short positions of the directors in the share capital and underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as 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, were as follows:

Long position in Shares, underlying shares and debentures of the Company or its associated corporations:

Name of Director	Company/name of associated corporation	Capacity	Number and class of securities/approximate shareholding percentage As at 30 September 2006 (Note 1)
Mr. Hui Chi Yung	Company	Settlor/Founder of The Wing Hong Trust (Note 2)	608,118,560 Shares/ 57.15% (L)
	Rich Place Investment Limited	Settlor/Founder of The Wing Hong Trust (Note 3)	1 ordinary share 100% (L)
Mr. Yiu Kai Yeuk, Raphael	Company	Corporate interest (Note 4)	68,053,440 Shares/ 6.4%(L)
	Beatrice Construction Limited	Beneficial owner	96,000 ordinary shares/ 10%(L)
Mr. Hui Kau Mo	Company	Settlor/Founder of The Wing Hong Trust (Note 2)	608,118,560 Shares/ 57.15% (L)
	Rich Place Investment Limited	Settlor/Founder of The Wing Hong Trust (Note 3)	1 ordinary share 100% (L)

Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures *(Continued)*

Notes:

1. The letter "L" denotes the Director's long position in such securities.
2. These shares are held by Rich Place Investment Limited which is wholly owned by RBTT Trust Cooperation ("RBTT"). RBTT is the trustee of The Wing Hong Trust, a discretionary trust whose beneficiaries are the family members of Mr. Hui Kau Mo.
3. The share is held by RBTT. RBTT is the trustee of The Wing Hong Trust, a discretionary trust whose beneficiaries are the family members of Mr. Hui Kau Mo.
4. These shares are held by Million Honest Limited, the entire issued share capital of which is held by Mr. Yiu Kai Yeuk, Raphael.

Save as disclosed above, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded 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.

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

At 30 September 2006, the interests and short positions (other than the directors of the Company) of 5% or more of the issued share capital and share options of the Company were recorded in the register of interests in the shares and underlying shares of the Company, as required to be kept by the Company pursuant to Section 336 of the SFO, were as follows:

Name	Company/Group Member	Capacity	Number and class of securities/approximate shareholding percentage As at 30 September 2006 <i>(Note 1)</i>
The Wing Hong Trust	Company	Beneficial owner <i>(Note 2)</i>	608,118,560 Shares/ 57.15%(L)
Chin Ivan	Company	Beneficial owner	104,920,000 Shares/ 9.86%(L)
Million Honest Limited	Company	Beneficial owner <i>(Note 3)</i>	68,053,440 Shares/ 6.4% (L)

Notes:

1. The letter "L" denotes the long position in such securities.
2. These shares are held by Rich Place Investment Limited. The entire issued share capital of Rich Place Investment Limited is held by RBTT, acting in its capacity as the trustee of The Wing Hong Trust, a discretionary trust whose beneficiaries are the family members of Mr. Hui Kau Mo.
3. The entire issued share capital of Million Honest Limited is beneficially owned by Mr. Yiu Kai Yeuk, Raphael.

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares *(Continued)*

Save as disclosed above, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

Purchase, Sale or Redemption of The Company's Listed Securities

During the six months ended 30 September 2006, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

Audit Committee

The Audit Committee comprises three members and all of whom are independent non-executive directors of the Company. It 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 interim results for the six months ended 30 September 2006.

Model Code for Securities Transactions by Directors

The Group has adopted the Model Code for securities transactions by Directors of listed issuers as set out in Appendix 10 to the Listing Rules. Upon specific enquiry by the Company, all Directors have confirmed that they fully complied with the Model Code throughout the Period.

Code on Corporate Governance Practices

The Group has adopted and met all the Code Provisions set out in the Code on Corporate Governance Practices in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules") during the six months ended 30 September 2006 except there is a deviation in Code Provision A.2.1 which provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company does not have a separate Chairman and Chief Executive Officer and Mr. Hui Chi Yung currently holds both positions. The Board believes that vesting the roles of Chairman and Chief Executive Officer in the same person provides the Group with strong and consistent leadership in the development and execution of long-term business strategies.

Appreciation

The Directors would like to take this opportunity to thank our shareholders, the management and our staff members for their dedication and support.

On behalf of the Board
Wing Hong (Holdings) Limited
Hui Chi Yung
Chairman

Hong Kong, 19 December 2006

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