

# WING HING INTERNATIONAL (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code : 621)



## ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006

The Directors of Wing Hing International (Holdings) Limited (the “Company”) are pleased to announce the unaudited interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2006.

### RESULTS

For the six months ended 30 September 2006, the Group recorded a profit attributable to shareholders of the Company of approximately HK\$5,597,000 with profits of HK12.13 cents per share.

### DIVIDEND

The Board of Directors has resolved not to recommend the payment of an interim dividend for the six months ended 30 September 2006.

### CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30 September 2006

		Six months ended 30 September	
		2006	2005
		(Unaudited)	(Unaudited)
			(Restated)
	Notes	HK\$'000	HK\$'000
TURNOVER	2	226,978	241,502
Cost of sales		(206,210)	(229,654)
Gross profit		20,768	11,848
Other revenue		25,739	2,966
Administrative expenses		(39,490)	(16,639)
Other operating income, net		32	488
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	4	7,049	(1,337)
Finance costs		(500)	(134)
Share of profit of jointly– controlled entities		1,122	5,228
Share of loss of associates		(322)	(5)
Profit before tax		7,349	3,752
Tax	5	(511)	(38)
Profit for the period		6,838	3,714
Attributable to:			
Shareholders of the Company		5,597	3,674
Minority interests		1,241	40
		6,838	3,714
Dividend		–	–
Earnings per share			
Basic	3	12.13 cents	10.96 cents
Diluted	3	N/A	N/A

## CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2006

		30 September 2006 (Unaudited) HK\$'000	31 March 2006 (Audited) HK\$'000
	<i>Notes</i>		
<b>NON-CURRENT ASSETS</b>			
Investment properties	12	4,400	4,400
Prepaid land lease payments	12	684	692
Property, plant and equipment	12	20,736	23,997
Goodwill		2,308	2,308
Interests in jointly-controlled entities		35,784	37,621
Interests in associates		32,801	17,704
Available-for-sale equity instrument		1	1
Amount due from an investee entity		16,124	13,164
Contract retention receivables	6	2,554	3,963
		<u>115,392</u>	<u>103,850</u>
<b>CURRENT ASSETS</b>			
Accounts receivable	6	120,232	114,553
Other receivables		25,730	13,698
Pledged deposits	12	18,136	20,944
Cash and cash equivalents		12,329	18,465
		<u>176,427</u>	<u>167,660</u>
<b>CURRENT LIABILITIES</b>			
Accounts payable	7	97,815	100,921
Current tax liabilities		–	657
Other payables and accruals		14,488	13,808
Bank loans and overdrafts, secured	12	17,969	15,602
		<u>130,272</u>	<u>130,988</u>
<b>NET CURRENT ASSETS</b>		<u>46,155</u>	<u>36,672</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>161,547</u>	<u>140,522</u>
<b>NON-CURRENT LIABILITIES</b>			
Bank loans and overdrafts, secured	12	3,094	3,503
Deferred tax liabilities		429	497
		<u>3,523</u>	<u>4,000</u>
<b>NET ASSETS</b>		<u><u>158,024</u></u>	<u><u>136,522</u></u>

		<b>30 September 2006 (Unaudited) HK\$'000</b>	31 March 2006 (Audited) HK\$'000
	<i>Notes</i>		
<b>CAPITAL AND RESERVES</b>			
Issued share capital	8	<b>54,300</b>	36,200
Reserves		<b>100,783</b>	95,235
Equity attributable to shareholders of the Company		<b>155,083</b>	131,435
Minority interests		<b>2,941</b>	5,087
<b>TOTAL EQUITY</b>		<b>158,024</b>	136,522

### 1. 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.

### 2. 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.

### 3. 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.

#### 4. 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	2005
	(Unaudited)	(Unaudited)
		(Restated)
	HK\$'000	HK\$'000
Cost of services provided	<u>206,210</u>	<u>229,654</u>
Depreciation	2,504	2,786
Less: Amounts capitalized in construction contracts	<u>(1,839)</u>	<u>(1,319)</u>
	<u>665</u>	<u>1,467</u>
Minimum lease payments under operating leases		
Leasehold land and buildings	866	859
Less: Amounts capitalized in construction contracts	<u>(442)</u>	<u>(363)</u>
	<u>424</u>	<u>496</u>
Plant and machinery	3,021	5,473
Less: Amounts capitalized in construction contracts	<u>(3,021)</u>	<u>(5,473)</u>
	<u>-</u>	<u>-</u>
	<u>424</u>	<u>496</u>
Staff costs (including directors' remuneration)		
Wages and salaries	45,401	27,602
Pension scheme contributions	1,680	805
Less: Amounts capitalized in construction contracts	<u>(13,221)</u>	<u>(17,937)</u>
	<u>33,860</u>	<u>10,470</u>
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	<u>(371)</u>	<u>(422)</u>

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

## 5. 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:

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2006</b>	2005
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Group		
Current Hong Kong profits tax		
– provision for the period	549	–
– overprovision for prior period	–	–
Deferred tax	(38)	38
	<u>511</u>	<u>38</u>

## 6. Accounts receivable

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

	<b>30 September</b>	31 March
	<b>2006</b>	2006
	<b>(Unaudited)</b>	(Audited)
	<b>HK\$'000</b>	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	<u>17,987</u>	<u>22,608</u>

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:

	<b>30 September</b>	31 March
	<b>2006</b>	2006
	<b>(Unaudited)</b>	(Audited)
	<b>HK\$'000</b>	HK\$'000
<b>Accounts receivable</b>		
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
	<u>76,096</u>	<u>63,138</u>
<b>Contract retention receivables</b>		
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	<u>26,149</u>	<u>28,807</u>
Amounts due from contract customers	<u>17,987</u>	<u>22,608</u>
<b>Total accounts receivable as shown under current assets</b>	<u><u>120,232</u></u>	<u><u>114,553</u></u>

## 7. Accounts payable

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

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

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

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

## 8. Share capital

	<b>Number of shares</b>	<b>Amount HK\$'000</b>
<i>Authorised:</i>		
At 31 March 2006	1,000,000,000	100,000
Share consolidation	(900,000,000)	–
<b>At 30 September 2006</b>	<b><u>100,000,000</u></b>	<b><u>100,000</u></b>
<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
<b>At 30 September 2006</b>	<b><u>54,300,000</u></b>	<b><u>54,300</u></b>

## 9. Contingent liabilities

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

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

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

## 10. Segment information

The Group's operations are principally undertaken in Hong Kong SAR. 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)	-
	<u>176,570</u>	<u>44,379</u>	<u>1,659</u>	<u>34,681</u>	<u>26,040</u>	<u>(30,983)</u>	<u>252,346</u>
Total							
Segment results	<u>1,324</u>	<u>4,337</u>	<u>(2,056)</u>	<u>3,779</u>	<u>(706)</u>		6,678
Interest income							<u>371</u>
Profit from operating activities							<u>7,049</u>

2005

	Superstructure construction works (Unaudited) <i>HK\$'000</i>	Foundation piling and substructure works (Unaudited) <i>HK\$'000</i>	Special construction projects (Unaudited) <i>HK\$'000</i>	Interior decoration and landscaping works (Unaudited) <i>HK\$'000</i>	Corporate and others (Unaudited) <i>HK\$'000</i>	Eliminations (Unaudited) <i>HK\$'000</i>	Consolidated (Unaudited) (Restated) <i>HK\$'000</i>
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)	-
<b>Total</b>	<b>136,180</b>	<b>37,358</b>	<b>47,043</b>	<b>45,040</b>	<b>29,438</b>	<b>(51,013)</b>	<b>244,046</b>
Segment results	4,660	5,347	(15,122)	(322)	3,678		(1,759)
Interest income							422
Loss from operating activities							(1,337)

## 11. 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:

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

#### (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:

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



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

## **12. 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.

## **13. 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.

### **Wastewater Treatment**

With the view of counter-balancing the cyclical construction incomes and leveraging on our construction expertise, the Group, through a jointly-controlled entity has undertaken a 130,000 m<sup>3</sup>/day wastewater treatment TOT/BOT (Transfer-Operate-Transfer/Build-Operate-Transfer) contract in Zhuhai, China with one of the world's leading water operators. The second sewage treatment plant

has also been commissioned and it is expected that the TOT/BOT contract will provide long-term steady incomes to the Group. The Group will capitalize on this valuable experience and expertise gained by seeking other similar projects in China should appropriate opportunities arise.

### **Property Development**

During the period under review, the Group, through an associated company, continues to participate in the property development project at No. 111 King Lam Street, Kowloon for an office building development. Construction of the superstructure has been progressing smoothly with completion to be expected in early 2007.

The Group, through two other associated companies, has further participated in two property development projects, one at Kowloon Bay for an office building development and one at San Po Kong for a shopping complex development. Demolition of the existing building has commenced in the development at Kowloon Bay. For the shopping complex development at San Po Kong, the property has been sold to an independent third party recently and the Group has gained a reasonable return. The property disposal transaction is expected to be completed at the end of December 2006.

### **PROSPECTS**

Looking ahead, in the medium term, it is anticipated that construction market in both the private and public sectors will steadily recover in tandem with Hong Kong's rising economic activities and consumer confidence. In the short term, as a result of the uncertainties in the interest rates trend, the construction market arising from property-development projects will continue to be sluggish. The Group will focus on the high-end and professional construction markets, in particular the leisure areas like theme parks. The Group will also continue to adopt a prudent tendering approach and to increase competitiveness by consolidation of the operations.

In China, with the experience of the wastewater treatment plant in Zhuhai, the Group will prudently explore new investment opportunities.

In Hong Kong, the Group will concentrate on a few other areas on top of the traditional construction activities. With the long and harmonious relationship established with China Harbour Engineering Company Limited in the last ten years, the Group will continue to explore more co-operation opportunities in different areas. Hypsos Leisure Asia Limited, an associated company established with two European partners, has been actively tendering for works in the leisure construction markets and it is expected that new projects in this area are forthcoming.

The Group anticipates to evolve gradually from a traditional low-value construction group to a diversified conglomerate comprising construction, property development, environmental engineering and investment, and high-value specialist construction in various areas related to leisure markets.

### **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30 September 2006, the Group had total outstanding borrowings of approximately HK\$21,063,000, comprising secured interest-bearing bank borrowings repayable (i) within one year of approximately HK\$17,969,000 and (ii) repayable over one year of approximately HK\$3,094,000.

The Group's banking facilities were supported by (1) legal charges over the Group's leasehold land and buildings, which are all situated in Hong Kong, with carrying value of approximately HK\$10,263,000, (2) legal charges over the Group's investment property, which is situated in Hong Kong, with carrying value of approximately HK\$4,400,000, (3) pledged deposits of approximately HK\$18,136,000 and (4) corporate guarantees from the Company and certain subsidiaries of the Company.

The Group's gearing ratio as at 30 September 2006 was 0.07 (31 March 2006: 0.07), calculated based on the Group's total outstanding borrowings of HK\$21,063,000 (31 March 2006: HK\$19,105,000) over the Group's total assets of HK\$291,819,000 (31 March 2006: HK\$271,510,000). The Group continues to adopt a policy of dealing principally with clients with whom the Group has enjoyed a long working relationship, so as to minimize risks in its business.

## **EMPLOYEES**

As at 30 September 2006, the total number of employees, excluding workers under exclusive sub-contracting arrangement, of the Group was approximately 500. Performance of the staff is normally reviewed on an annual basis with adjustment compatible to the market. There is no material change in the information as compared to the most recently published annual report.

## **EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES**

Since the functional currencies of the Group's operations are mainly Hong Kong dollars and Renminbi, the Directors consider that the potential foreign exchange exposure of the Group during the six months ended 30 September 2006 is limited.

## **MATERIAL ACQUISITIONS AND DISPOSALS**

On 13 July 2006, the Company announced that W. Hing Construction Company Limited, an indirect wholly owned subsidiary of the Company, entered into a conditional subscription agreement dated 13 July 2006 with Design Landscapes International (HK) Company Limited, pursuant to which W. Hing Construction Company Limited agreed to subscribe 42,711 new shares of Design Landscapes International (HK) Company Limited for an aggregate cash consideration of HK\$93,110. On the same day, Mr. Keith Jeferey Dodd, an independent third party, entered into a conditional subscription agreement dated 13 July 2006, pursuant to which Mr. Keith Jeferey Dodd agreed to subscribe 67,511 new shares of Design Landscapes International (HK) Company Limited for an aggregated cash consideration of HK\$147,174. Prior to the entering into of the aforesaid subscription agreements, the entire issued share capital of Design Landscapes International (HK) Company Limited was beneficially owned as to 51% by W. Hing Construction Company Limited and 49% by Design Landscapes Investments Pty Limited, a company incorporated in Australia with limited liability.

Upon completion of the aforesaid subscription agreements, the enlarged issued share capital of Design Landscapes International (HK) Company Limited are beneficially owned as to approximately 50% by W. Hing Construction Company Limited, approximately 45% by Design Landscapes Investments Pty Limited and approximately 5% by Mr Keith Jeferey Dodd. Accordingly, Design Landscapes International (HK) Company Limited has ceased to be a subsidiary of the Company but continue to be an associate of the Company upon completion. Further details relating to the aforesaid transactions are set out in the Company's circular dated 4 August 2006.

## **CAPITAL STRUCTURE**

On 29 March 2006, the Company announced, among other matters, that it proposed to (i) implement a share consolidation ("Share Consolidation") pursuant to which every ten existing ordinary shares of HK\$0.10 each in the issued and unissued share capital of the Company be consolidated into one consolidated share of HK\$1.00 ("Consolidated Share"); (ii) subject to the Share Consolidation, proposed a rights issue ("Rights Issue") to raise not less than approximately HK\$18.1 million before expenses by issuing not less than 18,100,000 rights shares ("Rights Shares") and not more than 20,600,000 Rights Shares at the subscription price of HK\$1.00 per Rights Share on the basis of one Rights Share for every two Consolidated Shares held on the record date. Further details of the Share Consolidation and Rights issue are set out in the Company's circular dated 3 May 2006.

The resolutions in respect of the Share Consolidation were duly passed by the Company's shareholders at the special general meeting of the Company held on 22 May 2006, and the Share Consolidation became effective on 23 May 2006.

The Rights Issue, which was underwritten on a fully underwritten basis, became unconditional on 22 June 2006. Upon completion, the Company issued 18,100,000 Rights Shares of HK\$1.00 each at the subscription price of HK\$1.00 per Rights Share.

## **PURCHASE, SALE OR REDEMPTION OF SECURITIES**

Neither the Company nor any of its subsidiaries, purchased, redeemed or sold any of the Company's listed securities during the period ended 30 September 2006.

## **CORPORATE GOVERNANCE PRACTICES**

### **Audit Committee**

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

The audit committee has also reviewed the Group's unaudited results for the six months ended 30 September 2006.

### **Directors' Securities Transactions**

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

### **Corporate Governance Practices**

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

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

## **DIRECTORS**

As at the date of this announcement, the Executive Directors of the Company are Mr. Ng Tat Leung, George, Mr. Wong Teck Ming, Mr. Lui Siu Yee, Samuel, Mr. Chan Wai Keung, Ivan and Mr. Lo Chung Sun, Simon. The Independent Non-executive Directors of the Company are Mr. Wong Lit Chor, Alexis, Dr. Leung Wai Cheung and Mr. Lo Ka Wai.

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

Hong Kong SAR, 15 December 2006

Please also refer to the published version of this announcement in The Standard.