榮康
WING HONG

WING HONG (HOLDINGS) LIMITED
榮康（控股）有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 745)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007

The board of directors (the "Board") of Wing Hong (Holdings) Limited (the "Company") presents the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2007, together with the appropriate comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2007

	Note	Six months ended 30 September 2007 HK$'000 (Unaudited)	2006 HK$'000 (Restated)
Turnover — contract revenue	3	**13,345**	36,986
Contract cost		**(11,710)**	(37,677)
Gross profit/(loss)		**1,635**	(691)
Other revenue	4	**1,381**	1,028
Other income	4	**—**	865
Administrative expenses		**(11,812)**	(7,237)
Loss from operating activities	5	**(8,796)**	(6,035)
Finance costs		**(1,075)**	(1,349)
Share of profits and losses of:			
A joint-controlled entity		**—**	—
An associate		**—**	—
Loss before tax		**(9,871)**	(7,384)
Taxation	6	**439**	—
Loss for the period		**(9,432)**	(7,384)
Attributable to:			
— Equity holders of the Company		**(9,708)**	(8,299)
— Minority interest		**276**	915
		(9,432)	(7,384)
Dividends		**—**	—
Loss per share attributable to equity holders of the Company	7		
— Basic		**(HK8.02 cents)**	(HK7.80 cents)
— Diluted		**N/A**	N/A

* *For identification purpose only*

CONDENSED CONSOLIDATED BALANCE SHEET
At 30 September 2007

	As at 30 September 2007 *HK$'000* (Unaudited)	As at 31 March 2007 *HK$'000* (Audited)
ASSETS		
Non-current assets		
Property, plant and equipment	**301**	357
Goodwill	**1,810**	1,810
Available-for-sale financial assets	**3,205**	1,596
Interest in a jointly-controlled entity	**—**	1,247
	5,316	5,010
Current assets		
Amount due from customers for contract work	**38,071**	38,020
Accounts receivable	**122,848**	121,507
Prepayments, deposits and other receivables	**18,798**	14,915
Loan to a shareholder	**200**	200
Tax recoverable	**—**	606
Pledged time deposits	**5,100**	5,100
Cash and cash equivalents	**18,597**	32,239
	203,614	212,587
Total assets	**208,930**	217,597
EQUITY		
Capital and reserves attributable to equity holders of the Company		
Share capital	**12,108**	12,108
Reserves	**91,595**	100,430
	103,703	112,538
Minority interests	**2,845**	2,569
Total equity	**106,548**	115,107
LIABILITIES		
Non-current liabilities		
Loan from Shareholders	**38,447**	37,372
Deferred tax	**18**	18
	38,465	37,390
Current liabilities		
Amount due to customers for contract work	**7,864**	10,064
Accounts payable	**50,516**	50,455
Tax payable	**106**	20
Other payables and accruals	**5,431**	4,561
	63,917	65,100
Total liabilities	**102,382**	102,490
Total equity and liabilities	**208,930**	217,597
Net current assets	**139,697**	147,487
Total assets less current liabilities	**145,013**	152,497

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2007

1. Basis of preparation

The condensed consolidated 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 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 2007, 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$38.4 million of the loan had been made to the Group as at 30 September 2007.

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 consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2007.

In the current interim period, the Group has applied, for the first time, a new standard, amendment and interpretations ("new HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning 1 April 2007.

The adoption of these new HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

3. Segment information

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

(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 segment engages in site formation, civil engineering works, repairs, maintenance, renovation and fitting out works in the private and public sectors; and

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

Business segments

The following table presents revenue and results for the Group's business segment.

	Building Construction Six months ended 30 September		**Renovation, repairs and maintenance Six months ended 30 September**		**Corporate and others**		**Consolidated Six months ended 30 September**	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
Segment revenue:								
Contract revenue from external customers	**3,064**	10,732	**10,281**	26,254	**—**	—	**13,345**	36,986
Other revenue	**20**	15	**21**	57	**—**	—	**41**	72
Total	**3,084**	10,747	**10,302**	26,311	**—**	—	**13,386**	37,058
Segment results	**20**	(2,895)	**1,655**	(4,961)	**(11,811)**	—	**(10,136)**	(7,856)
Interest and unallocated gains							**1,340**	1,821
Loss from operating activities							**(8,796)**	(6,035)
Finance costs							**(1,075)**	(1,349)
Loss before tax							**(9,871)**	(7,384)
Taxation							**439**	—
Loss for the period							**(9,432)**	(7,384)

Geographical segments

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

	Segment revenue Six months ended 30 September		Segment results Six months ended 30 September	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Hong Kong	**3,993**	18,602	**(10,836)**	(9,093)
The People's Republic of China ("PRC")	**9,352**	18,384	**1,023**	1,201
	13,345	36,986	**(9,813)**	(7,892)
Interest and unallocated gains			**1,017**	1,857
Loss from operating activities			**(8,796)**	(6,035)
Finance costs			**(1,075)**	(1,349)
Loss before tax			**(9,871)**	(7,384)
Taxation			**439**	—
Loss for the period			**(9,432)**	(7,384)

4. Turnover and other revenue

	Six months ended 30 September	
	2007	2006
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Turnover — contract revenue	**13,345**	36,986
Other revenue		
Management fee income, net	**20**	1
Interest income	**421**	882
Rental income	**(1)**	108
Bad debts recovered	**300**	—
Sundry income	**267**	37
Gain on disposal of fixed assets	**21**	865
Gain on disposal of available-for-sale financial assets	**306**	—

5. **Loss from operating activities**

	Six months ended 30 September	
	2007	2006
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Depreciation	**73**	70
Less: Amount capitalised as contract costs	**5**	(6)
	68	64
Interest income	**421**	(882)

6. **Taxation**

No provision for Hong Kong profits tax has been made as the Group has no estimated assessable profits arising in Hong Kong for the six months ended 30 September 2007 (30 September 2006: Nil). 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	
	2007	2006
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Overprovision in prior years - Hong Kong	439	—

7. **Loss per share attributable to equity holders of the Company**

The calculation of basic loss per share amounts is based on the loss for the six months ended 30 September 2007 attributable to equity holders of the Company of approximately HK$9,708,000 (2006: loss of HK$8,299,000) and the weighted average number of ordinary shares in issue during the financial period under review of 121,083,000 (2006: 106,400,000 (restated)) after adjusting for the effects of the share consolidation approved on 27 April 2007. The basic loss per share for the six months ended 30 September 2006 had been adjusted accordingly.

No diluted earnings per share has been presented for the six months ended 30 September 2007 and 2006 as there were no potential dilutive ordinary shares in existence for the periods.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend in respect of the six months ended 30 September 2007 (six months ended 30 September 2006: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

During the six months ended 30 September 2007, the Group was engaged in a broad spectrum of construction works for both public and private sectors in Hong Kong. For the period under review, the Group recorded a turnover of approximately HK$13,345,000, representing a decrease of 63.9% compared to HK$36,986,000 of the corresponding period last year. Loss for the period of HK$9,708,000 was recorded for the first six months of the current fiscal year to the equity holders of the Company.

BUSINESS REVIEW

The depression in the construction industry continued in Hong Kong during the reported period. The ongoing increase in material costs and labour costs together with the low construction contract prices from property developers were the main reasons for the difficulties in this industry. In order to reduce its impact to the Group, the Company reorganized and downsized the construction department.

On 24 September 2007, an agreement was signed by a wholly owned subsidiary of the Company with 北京鐵聯通達廣告傳媒有限公司 ("北京鐵聯通達") to subscribe for its new registered capital, provide a shareholders' loan to it and acquire an additional shareholding interest from its existing shareholders with an aggregate consideration of RMB312 million. Upon the completion of such acquisition, the Group will hold 65% shareholding interest in 北京鐵聯通達.

北京鐵聯通達 was established under the PRC laws to engage in media sales and management services for the multi-media business and the operation of media advertising spaces together with the provision of rail transit value-added services through LCD displays located at the ticketing offices of each station in the PRC. It has obtained absolute nationwide exclusive rights for media advertising broadcasting in the LCD display placed in front of tickets selling counters in the transit rail stations in the PRC for 5 years and such rights will be automatically renewed every 5 years and up to a period of 15 years. 北京鐵聯通達 is entitled to entire amount of advertising profit under such right.

PROSPECT

As the advertising market in the PRC is maturing, the competition among media services providers is also intensifying. Under this circumstance, the advertising companies sought new media channel for distributing their advertisements in order to expand their business operation. Such demand has promoted several outdoor media channel in becoming a commonly used advertising source and the LCD display system at train station is a unique channel among all. It is expected that the new source of advertising will take up an important role in the future market.

FINANCIAL REVIEW

Capital structure

There has been no significant change in the capital structure of the Group since 31 March 2007.

Liquidity, Financial resources and Capital structure

As at 30 September 2007, the Group had fixed deposits and cash balances aggregated to approximately HK$23.7 million (31 March 2007: HK$37.3 million). On 30 September 2007, there is no bank borrowing in the Group (31 March 2007: 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 18.4% at 30 September 2007 from 17.2% at 31 March 2007.

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.

Number of Employees and Remuneration Policies

As at 30 September 2007, the number of employees of the Group was 41 (31 March 2007: 47). Employees are remunerated at market level according to their qualifications and experience, job nature and performance. Other benefits to employees include medical, share option scheme and retirement schemes.

Pledge of Assets

On 30 September 2007, certain time deposits amounted to HK$5.1 million (31 March 2007: HK$5.1 million) were pledged for performance bond facilities.

Contingent Liabilities

(a) 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, 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.

(b) 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 subcontacting 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.

(c) On 13 May 2004, 19 August 2004, 23 August 2005 and 4 September 2006, one District Court action and three High Court actions had commenced by three 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 judgments 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 three 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.

(d) 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 proceeding for three months subject to the rights to re-active the proceedings upon a three day written notice to the subsidiary of the Group. Since this date and up to the date of approval of these financial statements, the arbitration has been dormant and there has been no activity arisen by the parties.

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.

(e) 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 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.

(f) An accounts receivable in a subsidiary of the Group of approximately HK$120,459,000 recorded based on architect's certificates, currently withheld by a major customer of the Group with respect to disputes on claims arising from liquidated damages and alleged environmental related damages in relation to main contract work for a residential development project carried out in Kowloon Tong, Hong Kong, and the claim made by the Group on extension of time entitlement by the Group. The receivable was certified by the architects of the residential development project.

As at the date of approval of these financial statements, the Group has initiated arbitration proceedings to recover the outstanding amount due and negotiations with the customer are still in progress. Despite that the full amount of the accounts receivable balance is being withheld by the major customer, a counter claim was made by the major customer against the Group in relation to claims arising from liquidated damages and alleged environmental related damages in relation to main contract works in a residential development project carried out in Hong Kong in the amount of approximately HK$122,480,000. In the opinion of the directors, based on legal advice, the major customer does not have sufficient grounds to their entitlement of extension of time claim, and as a result, the resultant liquidated damages, if any, would not be significant to the Group's financial statements. The Directors also considered that the Group has valid grounds to defend against the alleged environmental related damages claimed by the major customers and that the final amount being claimed, if any, would not have a material impact to the Group's financial position.

(g) On 23 August 2005, a subsidiary of the Group commenced arbitration proceedings against a subcontractor of the Group to recover an amount of approximately HK$12,886,000 due from the subcontractor, representing the costs incurred by the subsidiary on behalf of the subcontractor due to the subcontractor's unsatisfactory performance in relation to a civil engineering works contract granted by the Civil Engineering Department of the HKSAR Government to the subsidiary. The subcontractor counterclaimed the subsidiary outstanding payment in the sum of HK$2,531,000. The parties had exchanged claims submission and there has been no further development on this case.

(h) On 7 December 2006, a subsidiary of the Group received a notice of arbitration from a 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$5,629,000. On 24 February 2007, the subsidiary of the Group sought to counterclaim against the subcontractor of approximately HK$8,062,000.

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

(i) On 28 March 2007, 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$3,253,000. On 29 June 2007, the subsidiary of the Group sought to counterclaim against the subcontractor of approximately HK$232,000 together with an order for indemnity for a sum amounting to approximately HK$4,389,000.

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

(j) On 20 November 2007, a District Court civil action had been commenced by a subcontractor against a subsidiary of the Group in respect of a claim for subcontracting fees of approximately HK$166,000 in a residential development project in Lai Chi Kok Road and a writ of summons was issued. As at the date of approval of these financial statements, no ruling had been made in relation to the claim.

(k) On 20 November 2007, a High Court action had been commenced by a subcontractor against a subsidiary of the Group in respect of a claim for subcontracting fees of approximately HK$2,062,000 in a superstructure works in Hin Keng Street and a writ of summons was issued. As at the date of approval of these financial statements, no ruling had been made for the claim.

Saved as disclosed above, as at 30 September 2007, the Group and the Company had no other material contingent liabilities.

SUBSEQUENT EVENT

On 19 September 2007, an ordinary resolution passed in the extraordinary general meeting relating to the Company is authorised by shareholders to issue convertible notes in the principal amount of up to HK$296,000,000. The placing period of these convertible notes expired on 19 December 2007. Placing notes and subscription notes in the aggregate principal amount of HK$20 million were issued by the Company during the placing period.

Pursuant to an ordinary resolution passed in the extraordinary general meeting held on 8 November 2007, every issued and unissued share of the Company of HK$0.10 each were sub-divided into ten sub-divided shares of HK$0.01 each.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2007.

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 2007 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.

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.

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 2007.

DISCLOSURE OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

All the information and other related information of the Company as required by the Listing Rules will be published on the Stock Exchange's website in due course. Printed copies of 2007 interim report will be sent to shareholders before the end of December 2007.

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, 21 December 2007

As at the date of this announcement, the Board of Directors comprises Mr. Hui Chi Yung, Mr. Yiu Kai Yeuk, Raphael and Mr. Hui Kau Mo as Executive Directors and Mr. Liu Kwong Sang, Mr. Sit Hing Wah and Dr. Hu Chung Kuen, David as Independent Non-Executive Directors.