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WING HING INTERNATIONAL (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 621)



DISCLOSEABLE TRANSACTION: DEEMED DISPOSAL BY VIRTUE OF DILUTION OF INTERESTS IN A SUBSIDIARY

A letter from the board of directors of Wing Hing International (Holdings) Limited is set out on pages 4 to 9 of this circular.

4 August 2006

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DEFINITIONS

In this circular, unless the context requires otherwise, the following expressions shall have the following meanings when used herein:

“associates”	has the meaning ascribed to this term in the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“Company”	Wing Hing International (Holdings) Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Stock Exchange
“Completion”	completion of the Subscription in accordance with the terms and conditions of the Subscription Agreements
“Design Landscapes”	Design Landscapes International (HK) Company Limited, a company incorporated in Hong Kong with limited liability and as at the Latest Practicable Date, the issued share capital of which is owned as to 51% by WH Construction and 49% by DL Investments
“Directors”	directors of the Company
“Disposal”	the deemed disposal of the interests in Design Landscapes on the part of the Company by virtue of the dilution of interests as a result of the Subscription
“DL Investments”	Design Landscapes Investments Pty Limited, a company incorporated in Australia with limited liability
“DL Shares”	ordinary shares of HK\$1.00 each in the share capital of Design Landscapes
“First Subscription Agreement”	the conditional subscription agreement dated 13 July 2006 and entered into between Design Landscapes and WH Construction pursuant to which WH Construction agreed to subscribe and Design Landscapes agreed to allot and issue the First Subscription Shares at the Subscription Price
“First Subscription Shares”	the 42,711 new DL Shares to be subscribed by WH Construction pursuant to the First Subscription Agreement

DEFINITIONS

“Group”	the Company together with its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party”	an independent third party not being connected person of the Company (as defined in the Listing Rules) and not connected with the directors, chief executive and substantial shareholders of the Company and any of its subsidiaries or their respective associates
“Latest Practicable Date”	2 August 2006, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Second Subscriber”	Mr. Keith Jeferey Dodd, an Independent Third Party
“Second Subscription Agreement”	the conditional subscription agreement dated 13 July 2006 and entered into between Design Landscapes and the Second Subscriber, pursuant to which the Second Subscriber agreed to subscribe and Design Landscapes agreed to allot and issue the Second Subscription Shares at the Subscription Price
“Second Subscription Shares”	the 67,511 new DL Shares to be subscribed by the Second Subscriber pursuant to the Second Subscription Agreement
“SFO”	Securities and Futures Ordinance, Cap. 571 of the Laws of Hong Kong
“Share(s)”	share(s) of HK\$1.00 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription for the Subscription Shares by WH Construction and the Second Subscriber pursuant to the Subscription Agreements
“Subscription Agreements”	the First Subscription Agreement and the Second Subscription Agreement

DEFINITIONS

“Subscription Price”	the subscription price of approximately HK\$2.18 per Subscription Shares
“Subscription Shares”	the First Subscription Shares and the Second Subscription Shares
“WH Construction”	W. Hing Construction Company Limited, a company incorporated in Hong Kong with limited liability and a wholly owned subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency for the time being of Hong Kong
“%”	per cent.

LETTER FROM THE BOARD

WING HING INTERNATIONAL (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 621)



Executive Directors:

Mr. Ng Tat Leung, George (*Chairman*)
Mr. Wong Teck Ming (*Deputy Chairman*)
Mr. Chen Jinkui
Mr. Sun Haichao
Mr. Lui Siu Yee, Samuel
Mr. Chan Wai Keung, Ivan
Mr. Lo Chung Sun, Simon

Non-executive Director

Mr. Wang Xianzhang (*Honourary Chairman*)

Independent non-executive Directors

Mr. Wong Lit Chor, Alexis
Dr. Leung Wai Cheung
Mr. Lo Ka Wai

Registered office:

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

*Head office and principal place of
business in Hong Kong:*

14th Floor
Yau Lee Centre
45 Hoi Yuen Road
Kwun Tong
Kowloon
Hong Kong

4 August 2006

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION DEEMED DISPOSAL BY VIRTUE OF DILUTION OF INTERESTS IN A SUBSIDIARY

INTRODUCTION

Reference is made to the announcement of the Company dated 13 July 2006 in which the Board announced, among other matters, that (i) WH Construction, a wholly owned subsidiary of the Company, entered into the First Subscription Agreement with Design Landscapes pursuant to which WH Construction has agreed to subscribe 42,711 new DL Shares for an aggregate cash consideration of HK\$93,110; and (ii) the Second Subscriber, an Independent Third Party, entered into the Second Subscription Agreement with Design Landscapes pursuant to which the Second Subscriber has agreed to subscribe 67,511 new DL Shares for an aggregate cash consideration of HK\$147,174.

Upon Completion of the said Subscription Agreements, the interests of WH Construction in Design Landscapes will be deemed to reduce from 51% to approximately 50% and this dilution of interests is treated as a deemed disposal on the part of the Company under Rule 14.29 of the Listing Rules. Following the Disposal, Design Landscapes will cease to be a subsidiary of the Company and the Disposal constitutes a discloseable transaction on the part of the Company under Chapter 14 of the Listing Rules.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, details of the Disposal and the Subscription Agreements.

FIRST SUBSCRIPTION AGREEMENT

Date: 13 July 2006

Parties: (1) Design Landscapes, an indirect non-wholly owned subsidiary of the Company
(2) WH Construction

Pursuant to the First Subscription Agreement, WH Construction has conditionally agreed to subscribe for and Design Landscapes has conditionally agreed to allot and issue of 42,711 new DL Shares at the Subscription Price of approximately HK\$2.18 per Subscription Share for an aggregate cash consideration of HK\$93,110, which is to be settled upon Completion.

The Subscription Price was arrived at after arm's length negotiation between Design Landscapes and WH Construction after taking into account of the audited net asset value per DL Share as at 31 March 2005. The Directors consider that the Subscription Price and the terms of the First Subscription Agreement are fair and reasonable and are in the interests of the Company and Shareholders as a whole.

The First Subscription Shares

The 42,711 First Subscription Shares represent approximately 3.44% of the existing issued share capital of Design Landscapes and approximately 3.16% of the issued share capital of Design Landscapes as enlarged by the allotment and issue of the Subscription Shares.

Conditions

The subscription under the First Subscription Agreement is conditional upon the fulfillment of the following conditions:

- (a) if necessary, the passing by the Shareholders at a special general meeting of the Company to be convened and held of the necessary resolutions to approve the First Subscription Agreement and the Second Subscription Agreement and the transactions contemplated hereunder;
- (b) all necessary consents and approvals required to be obtained on the part of WH Construction in respect of the First Subscription Agreement and the transactions contemplated thereby having been obtained;
- (c) all necessary consents and approvals required to be obtained on the part of Design Landscapes in respect of the First Subscription Agreement and the transactions contemplated thereby having been obtained; and
- (d) the conditions of the Second Subscription Agreement having been fulfilled.

LETTER FROM THE BOARD

The conditions set out in above are incapable of being waived by the parties thereto. If the conditions are not satisfied on or before 4:00 p.m. on 13 September 2006, or such other date as the parties to the First Subscription Agreement may agree, the First Subscription Agreement shall cease and determine and neither party to the First Subscription Agreement shall have any obligations and liabilities under the First Subscription Agreement save for any antecedent breaches of the terms thereof.

Completion of the First Subscription Agreement

Completion of the First Subscription Agreement shall take place simultaneously with the completion of the Second Subscription Agreement on the second Business Day (or such other date as Design Landscapes and WH Construction may agree) after the date on which the conditions of the First Subscription Agreement have been fulfilled.

SECOND SUBSCRIPTION AGREEMENT

Date: 13 July 2006

Parties: (1) Design Landscapes, an indirect non-wholly owned subsidiary of the Company
(2) Keith Jeferey Dodd, the Second Subscriber

Pursuant to the Second Subscription Agreement, the Second Subscriber has conditionally agreed to subscribe for and Design Landscapes has conditionally agreed to allot and issue of 67,511 new DL Shares at the Subscription Price of approximately HK\$2.18 per Subscription Share for an aggregate cash consideration of HK\$147,174, which is to be settled upon Completion.

To the best of the Directors' knowledge, information and belief, the Second Subscriber is an Independent Third Party.

The Subscription Price was arrived at after arm's length negotiation between Design Landscapes and the Second Subscriber after taking into account of the audited net asset value per DL Share as at 31 March 2005. The Directors consider that the Subscription Price and the terms of the Second Subscription Agreement are fair and reasonable and are in the interests of the Company and Shareholders as a whole.

The Second Subscription Shares

The 67,511 Second Subscription Shares represent approximately 5.44% of the existing issued share capital of Design Landscapes and approximately 5.00% of the issued share capital of Design Landscapes as enlarged by the allotment and issue of the Subscription Shares.

Conditions

The Second Subscription is conditional upon the fulfillment of the following conditions:

LETTER FROM THE BOARD

- (a) if necessary, the passing by the Shareholders at a special general meeting of the Company to be convened and held of the necessary resolutions to approve the First Subscription Agreement and the Second Subscription Agreement and the transactions contemplated hereunder;
- (b) all necessary consents and approvals required to be obtained on the part of the Second Subscriber in respect of the Second Subscription Agreement and the transactions contemplated thereby having been obtained;
- (c) all necessary consents and approvals required to be obtained on the part of Design Landscapes in respect of the Second Subscription Agreement and the transactions contemplated thereby having been obtained; and
- (d) the conditions of the First Subscription Agreement having been fulfilled.

The conditions set out in above are incapable of being waived by the parties thereto. If the conditions are not satisfied on or before 4:00 p.m. on 13 September 2006, or such other date as the parties to the Second Subscription Agreement may agree, the Second Subscription Agreement shall cease and determine and neither party to the Second Subscription Agreement shall have any obligations and liabilities under the Second Subscription Agreement save for any antecedent breaches of the terms thereof.

Completion of the Second Subscription Agreement

Completion of the Second Subscription Agreement shall take place simultaneously with the completion of the First Subscription Agreement on the second Business Day (or such other date as Design Landscapes and the Second Subscriber may agree) after the date on which the conditions of the Second Subscription Agreement have been fulfilled.

INFORMATION ON DESIGN LANDSCAPES

Design Landscapes is a company incorporated in Hong Kong with limited liability and is principally engaged in the business of landscape designs, consulting and contracting.

As at the Latest Practicable Date and prior to the entering into the Subscription Agreements, the entire issued share capital of Design Landscapes was beneficially owned as to 51% by WH Construction and 49% by DL Investments. The existing directors of Design Landscapes are Mr. Ng Tat Leung, George and Mr. Michael Platt. There will be no change to the composition of the board of directors of Design Landscapes upon Completion.

Upon Completion, the enlarged share capital of Design Landscapes will be beneficially owned as to approximately 50% by WH Construction, approximately 45% by DL Investments and approximately 5% by the Second Subscriber. Design Landscapes will thus cease to be a subsidiary of the Company but will continue to be an associate of the Company upon Completion. The shareholding structure of Design Landscapes as at the Latest Practicable Date and immediately after Completion are as follows:

LETTER FROM THE BOARD

Name of shareholders of Design Landscapes	At the Latest Practicable Date and immediately before Completion		Immediately after Completion	
	Number of DL Shares	Approximate %	Number of DL Shares	Approximate %
WH Construction	632,400	51.00%	675,111	50.00%
DL Investments	607,600	49.00%	607,600	45.00%
The Second Subscriber	–	–	67,511	5.00%
Total	<u>1,240,000</u>	<u>100.00%</u>	<u>1,350,222</u>	<u>100.00%</u>

According to the audited financial statements of Design Landscapes, the turnover, net profit before taxation and net profit after taxation for the financial year ended 31 December 2003 were approximately HK\$12,553,434, HK\$395,144 and HK\$395,144 respectively. According to the audited financial statements of Design Landscapes, the turnover, net profit before taxation and net profit after taxation for the financial period from 1 January 2004 to 31 March 2005 were approximately HK\$29,759,205, HK\$2,834,174 and HK\$2,787,181 respectively. Design Landscapes became an indirect non-wholly owned subsidiary of the Company as the Group acquired additional equity interests in Design Landscapes which became a 51% owned subsidiary of the Company during the financial year ended 31 March 2005. As a result of that, the accounting period of Design Landscapes for that financial period was aligned in order to be consistent with the accounting period of the Group for that financial year. The audited total assets of Design Landscapes as at 31 March 2005 were approximately HK\$9,169,099 and the audited net assets of Design Landscapes as at 31 March 2005 were approximately HK\$2,702,621, representing approximately HK\$2.18 per DL Share.

The consideration to be paid by WH Construction under the First Subscription Agreement is HK\$93,110. Upon Completion, the net asset value of Design Landscapes, based on the audited financial figures for the year ended 31 March 2005, shall increase by HK\$240,284, being the aggregate consideration paid under both Subscription Agreements, to approximately HK\$2,942,905. The 50% interests held by the Group in the enlarged share capital of Design Landscapes immediately after Completion will thus be of approximately HK\$1,471,452, representing a premium of approximately HK\$93,110 over the value of the existing 51% interests held by the Group in Design Landscapes. The increase in net asset value will be set off against the consideration to be paid by WH Construction. Therefore, the Disposal will not have any effect on the assets and liabilities of the Group.

Based on the audited financial statements of Design Landscapes for the period ended 31 March 2005, the Disposal will not have any material effect on the earnings and/or the net asset position of the Group.

LETTER FROM THE BOARD

REASONS FOR THE DISPOSAL

The Company is an investment holding company and its subsidiaries are principally engaged in the superstructure construction, foundation piling, substructure works, slope improvement works, special construction projects and interior decoration works in Hong Kong.

The Directors consider that the Subscription will broaden the shareholder and capital base of Design Landscapes by introducing the Second Subscriber, an Independent Third Party, as a shareholder of Design Landscapes. The Second Subscriber will, on behalf of Design Landscapes, explore business opportunities in the Middle East area, which will expand and diversify the existing business scope of Design Landscapes. It is expected that with additional capital injection as a result of the Subscription, the Subscription and the Second Subscriber will further assist the future development of the business of Design Landscapes. Whilst Design Landscapes will cease to be a subsidiary of the Company upon Completion, it is expected that the investment in Design Landscapes by the Group will continue to contribute positively to the results of the Group through equity sharing.

The Directors consider that the Subscription Agreements are entered into upon normal commercial terms following arm's length negotiation between the relevant parties to the relevant Subscription Agreements and that the terms of the Subscription Agreements and the Disposal are fair and reasonable so far as the interests of the Company and the Shareholders as a whole are concerned.

LISTING RULES IMPLICATION

Upon Completion, the interests of WH Construction in Design Landscapes will be deemed to reduce from 51% to approximately 50% and this dilution of interests is treated as a deemed disposal on the part of the Company under Rule 14.29 of the Listing Rules. Following the Disposal, Design Landscapes will cease to be a subsidiary of the Company and the Disposal constitutes a discloseable transaction on the part of the Company under Chapter 14 of the Listing Rules. The Group does not have any current intention to further dispose of any DL Shares.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendix to this circular.

Yours faithfully
On behalf of the Board
Wing Hing International (Holdings) Limited
Ng Tat Leung, George
Chairman

1. RESPONSIBILITY STATEMENT

This document includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this document and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

(a) Director's interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, were as follows:

Name of Directors	Number or attributable number of Shares held or short positions	Nature of interests		Approximate percentage or attributable percentage of shareholding (%)
		Beneficial	Corporate	
Ng Tat Leung, George	10,802,700 ^(L)	30,000	10,772,700	19.89
Lui Siu Yee	30,600	30,600		0.06
Wong Teck Ming	30,000	30,000		0.06

L: Long Position

Note: These 10,772,700 Shares were registered in the name of Total Success Worldwide Limited. The issued share capital of Total Success Worldwide Limited is owned as to approximately 46.46% by Mr. Chan Mo Yan, deceased, as to approximately 46.46% by Mr. Ng Tat Leung, George, the chairman of the Company and the managing Director, and as to approximately 7.08% by Mr. Wong Teck Ming, an executive Director.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the

shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

(b) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO

So far as is known to the Directors and the chief executive of the Company, as at the Latest Practicable Date, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of shareholder	Number or attributable number of Shares held or short positions	Nature of interests	Approximate percentage or attributable percentage of shareholding (%)
Glado Development Limited	6,750,000 ^(L)	Beneficial (Note 2)	12.43
Chan Mo Yan, deceased	10,772,700 ^(L)	Corporate (Note 1)	19.84
Total Success Worldwide Limited	10,772,700 ^(L)	Beneficial (Note 1)	19.84
Grand Legend Limited	9,689,000 ^(L)	Beneficial (Note 3)	17.84
Lo Chun Yang	9,689,000 ^(L)	Corporate (Note 3)	17.84
Loh Siu Yin, Lulu	9,689,000 ^(L)	Family (Note 3)	17.84
Complete Success Limited	8,492,818 ^(L)	Beneficial (Note 4)	15.64
Li Dan Dan	8,492,818 ^(L)	Corporate (Note 4)	15.64

L: Long Position

Notes:

1. These 10,772,700 Shares were registered in the name of Total Success Worldwide Limited. The issued share capital of Total Success Worldwide Limited is owned as to approximately 46.46% by Mr. Chan Mo Yan, deceased, as to approximately 46.46% by Mr. Ng Tat Leung, George, the chairman of the Company and the managing Director, and as to approximately 7.08% by Mr. Wong Teck Ming, an executive Director.
2. The issued share capital of Glado Development Limited is owned as to 99% by Tellon Development Limited, which is an indirect wholly owned subsidiary of China Insurance (Holdings) Company, Limited, a state-owned joint stock limited company established in the People's Republic of China.
3. The entire issued share capital of Grand Legend Limited is owned by Mr. Lo Chun Yang. Ms. Loh Siu Yin, Lulu is the spouse of Mr. Lo Chun Yang.
4. The interests in 8,492,818 Shares include 5,681,818 Shares to be issued upon the exercises of warrants in full.

The entire issued share capital of Complete Success Limited is owned by Ms. Li Dan Dan.

(c) Substantial shareholders of other members of the Group

As at the Latest Practicable Date, the Directors and the chief executive of the Company were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares, which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

As at the Latest Practicable Date, none of the Directors was a director or employee of a company which had, or was deemed to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

4. LITIGATION

- (a) The Group was involved during the three years ended 31 March 2003 in undertaking of two construction contracts for the Hong Kong Housing Authority (the "HA"). In attending to these contract works, the Group received requests for clarifications from the HA regarding the technical compliance of the piling work sections of these contract works. Additional piling specification review, testing and other compliance procedures were carried out to

substantiate the satisfactory adherence to the technical specifications required for these contract works and for any extension works required for the purpose of providing assurance to the HA. Provisions of approximately HK\$2.5 million have been made in the financial statements for the year ended 31 March 2004 for all additional costs incurred, as well as those necessarily required to be incurred, in attending to these and other additional works reasonably anticipated by the Directors to be necessary for the satisfaction of the HA.

As a result of the execution of these additional contract works, which were not anticipated at the stage of contract inception, the contract period was prolonged with a corresponding overrun of the contract costs incurred. In accordance with the contractual agreement, the HA is entitled to claim against the Group for liquidated damages for the delay in completion of contract works. The maximum potential amount of liquidated damages involved was assessed by the Directors based on the contractual provisions of approximately HK\$7.9 million, in aggregate, as at 31 March 2006. Having regard to the circumstances surrounding the prolonged contract works as described above, the Directors are however of the opinion that the Group has meritorious defenses against claims for the liquidated damages. In a letter dated 12 December 2000 issued by the HA, the HA confirmed that its building committee had considered the situation and approved the waiver of liquidated damages on an ex-gratia basis if the delay was due to unanticipated complex ground conditions and/or initiatives on supervision enhancement and design approval of piling works implemented after contract formation. Accordingly, although the Group's grounds of claiming waiver of these possible liquidated damages has yet to be approved by the HA, having considered the legal counsel's advice, the Directors are of the opinion that the likelihood of such damages falling to the Group is not probable and no provision therefore has not been made up to 31 March 2006.

In July 2001, the piling sections involved in these HA contract works were completed and, to date, the Group has not received any complaint or indications from the HA regarding substandard piling works. The Group is presently in the process of filing formal claims to the HA requesting compensation of the extra contract costs incurred, which have already been fully charged to the profit and loss account during each of the two years ended 31 March 2002, as a result of the contract prolongation. However, as the negotiations with the HA have not yet reached an advanced stage, in view of the uncertainties involved, no accrual for the potential compensation revenue has been made up to 31 March 2006.

- (b) The Group was previously engaged in early 2000 in the undertaking of a piling work contract, which was terminated by the contract customer during 2001 prior to the completion of contract works as a result of the allegation of non-conforming piles. In the previous year, the contract customer demanded from the Group the retrenchment of HK\$5 million of the contract fees received by the Group, as compensation for early termination of the contract works. In prior years, the contract customer was in the process of undergoing a court compulsory winding-up and the provisional liquidator of the contract customer requested payment of HK\$8 million from the Group. Having considered legal counsel's advice, the Directors are of the opinion that the claim is unlikely to succeed. Accordingly, no provision has been made up to 31 March 2006.

- (c) The Group was previously engaged in early 2000 in the undertaking of a piling work contract. In 2001, the Group made a claim against the main contractor of HK\$7 million for variation orders in addition to the original contract sum. In prior years, the main contractor submitted a counterclaim of HK\$44 million for additional costs incurred due to wrongful repudiation of the subcontract. Having considered the legal counsel's advice, the Directors are of the opinion that the Group has a good chance of defending the counterclaim. Accordingly, the Directors consider that a provision for the counterclaim is not necessary.
- (d) The Group was engaged in the undertaking of a HVAC installation works contract in 2004. The Group made a claim against the sub-contractor for loss and damage caused by the sub-contractor's wrongful repudiation of contract and other loss and damage due to completion of outstanding works and remedial works and payment of Labour Tribunal claims to unpaid workers on the sub-contractor's behalf, in the sum of approximately HK\$30.8 million up to 10 April 2006. The sub-contractor submitted a counterclaim for unpaid workdone and loss of profit in the sum of approximately HK\$1.8 million. Having considered the legal counsel's advice, the Directors are of the opinion that the Group has a good chance of defending the counterclaim. Accordingly, the Directors consider that a provision for the counterclaim is not necessary.
- (e) A number of claims have been brought against the Group in respect of compensation for alleged personal injuries sustained by construction workers during the execution of contract works. The total amount of the litigation claims cannot be quantified. As most of the litigation claims are personal injury claims and some of them have not reached the stage in which the amount of the claim can be calculated. The Directors believe that any liabilities of the Group in respect of such claims will be covered either by the Group's insurance policies, or that the Group has a meritorious defense against such claims. Accordingly, the Directors do not believe that these claims will have any material adverse impact on the Group and, therefore no provisions have been made in respect thereof in the financial statements of the Group up to 31 March 2006.

Save as disclosed, no member of the Group is engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened against any member of the Group as at the Latest Practicable Date.

5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors nor their respective associates had any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

6. MISCELLANEOUS

- (a) The registered office of the Company is located at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda;

- (b) The head office and principal place of business of the Company in Hong Kong is located at 14th Floor, Yau Lee Centre, 45 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong;
- (c) Tengis Limited, the transfer office of the Company is located at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong;
- (d) The company secretary of the Company is Ms. Chan Yuen Bik, Jane. Ms. Chan is a Fellow of the Hong Kong Institute of Company Secretaries in Hong Kong and a Fellow of the Institute of Chartered Secretaries and Administrators in the United Kingdom; and
- (e) The qualified accountant of the Company appointed pursuant to Rule 3.24 of the Listing Rules is Mr. Chan Yau Chung, Louis. Mr. Chan has obtained a Master of Business Administration from the University of Surrey. He is an Associate Member of the Association of International Accountants and an Associate Member of Hong Kong Institute of Certified Public Accountants.