

**WING HONG (HOLDINGS) LTD:
CHEUNG KONG'S SUBSIDIARIES HOLD UP PAYMENTS**

Two wholly owned subsidiaries of Cheung Kong (Holdings) Ltd (Code: 1, Main Board, The Stock Exchange of Hongkong Ltd) are holding up payments of about \$HK138.70 million from publicly listed [Wing Hong \(Holdings\) Ltd](#) (Code: 745, Main Board, The Stock Exchange of Hongkong Ltd).

That amount of money represents about 40.21 percent of the Total Turnover of the company for the Financial Year, ended March 31, 2005.

These 2, Li Ka Shing companies are claiming, inter alia, Liquidated Damages and environmental-related damages.

The 2 subsidiaries are Match Power Investment Ltd and Gingerbread Investments Ltd.

Liquidated Damages is a legal term and is, normally, defined as being the amount of damages that has been determined by the judgment of an Action, or when a specific sum of money has been expressly stipulated by the parties to a bond or other contract as the amount of damages to be recovered by either party for a breach of an agreement by the other. (Stein v. Bruce, 366 S.W.2d 732 735)

The matter of the 2 Cheung Kong subsidiaries, allegedly holding up payments in the aggregate amount of about \$HK138.70 million, are, allegedly, about to go to Arbitration and, as such, **TARGET** may not comment on the situation since it must be considered sub judice and, certainly, this medium would not want to prejudice any determination of the Arbitration Proceedings.

In last Friday's **TARGET** Intelligence Report (Please see Volume VII, Number 141, lead article), this medium suggested, very strongly, that Wing Hong (Holdings) Ltd would announce a Loss Attributable to Shareholders in its first year as a publicly listed company.

On the same day that **TARGET**'s report was published, Wing Hong (Holdings) brought out its results for the Financial Year, ended March 31, 2005.

The following are just 3 of the highlights, taken from the summary of this report:

	Financial Year, Ended March 31	
	2005	2004
	All Figures Are Denominated In \$HK'000	
Turnover	344,937	841,966
Profit/(Loss) from Operations	(10,816)	40,676
Profit/(Loss) Attributable to Shareholders	(11,326)	33,639

Under the 'Basis of Presentation' of the accounts, Wing Hong (Holdings) has said that, included in the Accounts Receivable under Current Assets in the Consolidated Balance Sheet for the Financial Year, ended March 31, 2005, 'are accounts receivable, recorded based on architects' certificates, of approximately, HK\$138.7 million in aggregate (collectively the "Receivables Under Dispute") being currently withheld by two major customers of the Group ... with respect to disputes with one of the aforesaid customers (the "Kowloon Tong 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 (the "EOT Claim") entitlement by the Group ...'.

This Basis of Presentation continues by stating:

'The Group has also undertaken a residential development project in Lai Chi Kok, Hong Kong, for another major customer (the "LCK Customer"). It is understood by the directors that the LCK Customer is under the same control as that of the Kowloon Tong Customer as mentioned above. Due to the aforesaid disputes with the Kowloon Tong Customer, the LCK Customer also withheld its outstanding amount due to the Group, which amounted to approximately HK\$18.2 million as at 31 March 2005. The receivables Under Dispute were certified by the architects of the respective residential development projects.

'As at the date of approval of the financial statements, the Group has initiated arbitration proceedings to recover the outstanding amounts due from the Kowloon Tong Customer and negotiations with the Customers are still in progress. Despite that the full amount of the accounts receivable balance is being withheld by the Customers, the directors estimated that the maximum financial impact to the Group relating to the disputes on the liquidated damages and the alleged environmental related damages claims would be in the order of approximately HK\$20.2 million. In the opinion of the directors, based on legal advice, the Customers do not have sufficient grounds to their claims in respect of the liquidated damages and the Group has valid grounds to their entitlement of the EOT

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 claims by the Kowloon Tong Customer and that the final amount being claimed, if any, would not have a material impact to the Group's financial position. For the balance withheld by the LCK Customer, the directors, based on legal advice, are of the view that the LCK Customer has no grounds to withhold the outstanding balance due to the Group, which arose from a different project to that of the Kowloon Tong Customer and with a different employer...

'Based on the foregoing, the directors of the Company are currently unable to determine with reasonable certainty the outcome of the arbitration. The directors are also unable to determine the time required to recover the Receivables Under Dispute and whether a provision, if any, is required against such receivables at this stage.

'As a result of the withholding of settlement of accounts receivable by the Customers, the working capital of the Group has been affected. The Group reported a net cash outflow from operating activities of HK\$50,393,000 and an overall decrease in cash and cash equivalents by HK\$39,720,000 for the year, before taking into account of the shareholders' loans as stated below and in note 30(b) to the financial statements. In order to maintain the working capital of the Group, a major shareholder of the Company has agreed to provide continual financial support to the Group in the form of shareholder's loan, of which approximately HK\$21.2 million of the loan had been made to the Group as at 31 March 2005, and a further HK\$18.5 million was made subsequent to the balance sheet date on 26 July 2005. Further details of the shareholder's loan are disclosed in note 30(b) to the financial statements.'

The above-mentioned contracts ... [CLICK TO ORDER FULL ARTICLE](#)

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