WING HING INTERNATIONAL (HOLDINGS) LIMITED

永興國際(控股)有限公司

(Incorporated in Bermuda with limited liability)

(於 百 慕 達 註 冊 成 立 之 有 限 公 司)

(Stock Code 股份代號 : 621)

ANNUAL REPORT 年報

2007

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Corporate Information

BOARD OF DIRECTORS

Executive directors

Mr. Ng Tat Leung, George
(Chairman and Managing Director)
Mr. Wong Teck Ming
(Deputy Chairman)
Mr. Lui Siu Yee, Samuel
Mr. Chan Wai Keung, Ivan
Mr. Lo Chung Sun, Simon

Independent non-executive directors

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

QUALIFIED ACCOUNTANT

Mr. Ngan Chi Keung, Mike

COMPANY SECRETARY

Ms. Chan Yuen Bik, Jane

PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited
16/F, The Center
99 Queen's Road Central
Central, Hong Kong

Industrial and Commercial Bank
of China (Asia) Limited
1/F, ICBC Tower
122-126 Queen's Road Central
Hong Kong

The Bank of East Asia, Limited
24/F, Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai, Hong Kong

Wing Hang Bank, Limited
161 Queen's Road Central,
Hong Kong

AUDITORS

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants
31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central, Hong Kong

LEGAL ADVISERS ON HONG KONG LAW

Leung Chan & Pang
Suite 1203, 12/F
Wing On House
71 Des Voeux Road Central
Hong Kong

Corporate Information

LEGAL ADVISERS ON BERMUDA LAW

Appleby
5511 The Center
99 Queen's Road Central
Hong Kong

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton, HM12
Bermuda

PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
14 Bermudiana Road
Pembroke
Bermuda

HONG KONG BRANCH SHARE REGISTRARS AND TRANSFER OFFICE

Tengis Limited
26/F, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

14/F, Yau Lee Centre
45 Hoi Yuen Road
Kwun Tong, Kowloon
Hong Kong

Chairman's Statement

RESULTS

During the financial year 2006/2007, the Group recorded a profit attributable to equity holders of the Company of approximately HK$9,519,000 or earnings of HK18.97 cents per share basic, compared with a loss attributable to equity holders of the Company for the year 2005/2006 of approximately HK$22,336,000 or loss of HK63.46 cents per share basic.

DIVIDEND

The Directors do not recommend the payment of any dividend in respect of the year ended 31 March 2007 (2006: Nil).

BUSINESS REVIEW

During the year under review, the Group has recorded a turnover of HK$480 million which represents a slight decrease of 2.8% compared with the turnover recorded in the corresponding period of last year. The Group recorded a net profit from ordinary activities attributable to shareholders of approximately HK$9.5 million compared with a net loss from ordinary activities attributable to shareholders of approximately HK$22.3 million for the corresponding period of last year.

Construction and Building

The Group has secured several contracts during the last financial year, which include the additional columbarium at Diamond Hill for Architectural Services Department, a refurbishment contract for Silvercord at Canton Road, the alteration and addition works contract for the Existing Giant Panda House at Ocean Park and a foundation works contract at Tai Yip Street, Kwun Tong. Together with contracts previously secured, the total value of current contracts on hand amounted to about HK$553 million.

As regards major completed projects, the Group has satisfactorily completed the office development at King Lam Street, the Yew Chung Secondary School at Kowloon Tong, the temporary entrance and Skyfair works and the alteration and addition works for the Existing Giant Panda House at Ocean Park.

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 130,000m^3/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 year 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 works have been completed and Occupation Permit was obtained in early 2007. Application for the issuance of Certificate of Compliance from the Government is being processed. It is expected that this property development will generate reasonable profits and steady income to the Group through sale and rental of the units and carparks.

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 been completed in the development at Kowloon Bay and the foundation work is now underway. For the shopping complex development at San Po Kong, the property has been sold to an independent third party and the Group has gained a reasonable return. The property disposal transaction has been completed at the end of December 2006.

Chairman's Statement

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. 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.

SUBSEQUENT EVENTS

Issue of convertible note

On 7 May 2007, the Company entered into a conditional subscription agreement (the "Note Subscription Agreement") with Best Time International Limited in respect of the subscription of convertible note (the "Note") with an aggregate principal amount of HK$15,000,000. The Note is interest-bearing at the rate of 1% per annum on the outstanding principal amount of the Note from its date of issue to the maturity date which is the second anniversary from the date of issue of the Note (the "Maturity Date"). The Note may be converted at the option of the Subscriber at a conversion price of HK$1.50 per ordinary share at any time after the date of issue of the Note and up to the Maturity Date.

EMPLOYEES

During the year under review, the Group employed approximately 300 staff, excluding workers under exclusive sub-contracting arrangement.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2007, the Group's outstanding borrowings amounted to HK$3,504,000 comprising interest-bearing bank borrowings repayable (i) within one year of approximately HK$846,000 and (ii) repayable over one year of approximately HK$2,658,000. As at 31 March 2007, the Group's banking facilities were supported by (i) legal charges over the Group's leasehold land and buildings, which are all situated in Hong Kong, with carrying value of approximately HK$10,675,000, (ii) legal charges over the Group's investment property, which is situated in Hong Kong, with carrying value of approximately HK$4,800,000, (iii) pledged deposits of approximately HK$16,675,000 of the Group; (iv) corporate guarantees to the extent of approximately HK$42.8 million in aggregate executed by the Company in respect of the banking facilities granted to certain subsidiaries of the company; and (v) cross guarantees amongst certain subsidiaries of the Company.

The Group's gearing ratio as at 31 March 2007 was 0.014 (2006: 0.07), calculated based on the Group's total borrowings of HK$3,504,000 (2006: HK$19,105,000) over the Group's total assets of HK$250,588,000 (2006: HK$271,622,000).

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.

FOREIGN EXCHANGE EXPOSURE

Since the functional currencies of the Group's operations are mainly Hong Kong dollars, United States dollars and Renminbi, the directors consider that the potential foreign exchange exposure of the Group is limited.

Chairman's Statement

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

There was no purchase, sale or redemption of shares or other listed securities of the Company or by any of its subsidiaries during the year.

On behalf of the Board of Directors, I would like to express my sincere gratitude to all our customers, shareholders, fellow Board members, senior management and employees for placing their trust in our Company and for the continued support and commitment.

On behalf of the Board

Ng Tat Leung, George
Chairman and Managing Director

Hong Kong SAR, 20 July 2007

Report of the Directors

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2007.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries comprise the undertaking of superstructure construction, foundation piling, substructure works, slope improvement, special construction projects, interior decoration and landscaping works in the Hong Kong Special Administrative Region ("Hong Kong SAR") during the year. There were no changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's results for the year ended 31 March 2007 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 32 to 123.

The directors do not recommend the payment of any dividend in respect of the year ended 31 March 2007.

Report of the Directors

SUMMARY FINANCIAL INFORMATION

A summary of the published results and of the assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements, is set out below:

RESULTS

	Year ended 31 March				
	2007	2006	2005	2004	2003
	HK$'000	HK$'000	HK$'000 (Restated)	HK$'000	HK$'000
Net profit/(loss) from ordinary activities attributable to shareholders	**9,519**	(22,336)	14,176	(2,862)	4,255

ASSETS, LIABILITIES AND MINORITY INTERESTS

	31 March				
	2007	2006	2005	2004	2003
	HK$'000	HK$'000	HK$'000 (Restated)	HK$'000	HK$'000
TOTAL ASSETS	**250,588**	271,510	293,920	262,456	240,797
TOTAL LIABILITIES	**86,826**	134,988	155,413	145,396	120,703
MINORITY INTERESTS	**2,951**	5,087	4,265	3,018	2,602
	160,811	131,435	134,242	114,042	117,492

Note: The HKICPA has issued a number of new and revised HKFRSs that are effective or available for early adoption for accounting periods beginning on or after 1 January 2005. Information on the changes in accounting policies resulting from initial application of these new and revised HKFRSs is provided in note 2 to the financial statements. Figures for the year 2005 have been adjusted. However, it is not practicable to restate earlier years for comparison purpose.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and of the Group during the year are set out in note 16 to the financial statements.

INVESTMENT PROPERTY

Details of movements in the investment property of the Group during the year are set out in note 18 to the financial statements. Further details of the Group's investment property are set out on page 124 of this annual report.

SHARE CAPITAL AND SHARE OPTIONS

Details of the Company's share capital and share options are set out in notes 32 and 33 to the financial statements respectively.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 34 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 March 2007, the Company's reserves available for distribution calculated in accordance with the Companies Act 1981 of Bermuda amounted to HK$13,773,000, the contributed surplus may only be distributed in certain circumstances which the Company is presently unable to meet. In addition, the Company's share premium account with a balance of HK$35,491,000 as at 31 March 2007 may be distributed in the form of fully paid bonus shares.

Report of the Directors

CONTINGENT LIABILITIES

Details of the Group's contingent liabilities during the year are set out in note 37 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for approximately 64% of the Group's total sales for the year. Purchases from the Group's five largest suppliers accounted for approximately 19% of the Group's total purchases for the year. In arriving at the relevant percentage, purchases during the year not yet charged to the income statement have been included.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or five largest suppliers.

DIRECTORS

The directors of the Company during the year were:

Executive directors:

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

Independent non-executive directors:

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

In accordance with the Bye-law 98 of the Company's Bye-laws, Mr. Wong Teck Ming, Mr. Lo Chung Sun, Simon and Mr. Wong Lit Chor, Alexis shall retire from office, and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive directors

Mr. Ng Tat Leung, George, aged 48, is the chairman and managing director of the Company and has the responsibility for the marketing and business development of the Group, including overseeing the progress of all of the Group's projects and liaison with its suppliers, sub-contractors and clients. Mr. Ng holds a bachelor of science degree in civil engineering from the University of Hong Kong and a master of business administration degree from the Chinese University of Hong Kong. He has more than 25 years of experience in the construction industry. Mr. Ng joined the Group in 1984.

Mr. Wong Teck Ming, aged 49, is the Deputy Chairman of the Company. He holds a bachelor of science degree in civil engineering and a master of science degree in civil and structural engineering from the University of Hong Kong. He is a corporate member of the Institution of Civil Engineers in the United Kingdom. Mr. Wong has more than 25 years of experience in the construction industry and specialises in design and site formation. He is in charge of the piling and foundation work, structural design and the quality control of the Group's projects. He joined the Group in 1992.

Mr. Lui Siu Yee, Samuel, aged 47, is the finance director of the Company. Mr. Lui has more than 25 years of finance and accounting experience. Prior to joining the Group in December 1994, he was the financial controller of Len Shing (Holdings) Company Limited, a Hong Kong property investment and development group.

Mr. Chan Wai Keung, Ivan, aged 36, is responsible for the development of office automation, information systems and mathematical operations research in the Group. He holds a bachelor of mathematics degree in computer science and combinatorics and optimisation from the University of Waterloo, Canada.

Mr. Lo Chung Sun, Simon, aged 53, is responsible for the undertaking of piling project works of the Group. Mr. Lo holds a master degree in science from the University of Wales in the United Kingdom. He has more than 26 years of experience in the construction industry, and is a member of the Hong Kong Institution of Engineers and the Institution of Structural Engineers of the United Kingdom, as well as being a chartered engineer of the Engineering Council of the United Kingdom and a Registered Structural Engineer with the Building Authority in Hong Kong. He joined the Group in May 1994 and was admitted to the Company's board of directors in December 2000.

Report of the Directors

Independent non-executive directors

Mr. Wong Lit Chor, Alexis, aged 49, graduated from University of Toronto, Canada in 1981 with a bachelor's degree in arts and obtained a master of business administration degree from The Chinese University of Hong Kong in 1987. Mr. Wong has over 23 years of experience in banking, investment, corporate finance and securities dealing and has served as senior executives in a number of listed financial services companies in Hong Kong and the PRC financial services companies. Mr. Wong was appointed as an independent non-executive director of the Company on 30 October 2003.

Dr. Leung Wai Cheung, aged 42, is currently the chief financial officer of FlexSystem Holdings Limited and the independent non-executive director and audit committee member of Mobicon Group Limited and Sino Prosper Holdings Limited which are listed companies in Hong Kong. Dr. Leung is a qualified accountant and chartered secretary with over 20 years of experience in accounting, auditing and financial management. He graduated from Curtin University with a Bachelor of Commerce degree majoring in accounting and subsequently obtained a postgraduate diploma in corporate administration, Master of Professional Accounting from the Hong Kong Polytechnic University and Doctor of Philosophy degree in Management from the Empresavial University of Costa Risa. He is an associate member of each of the Hong Kong Institute of Certified Public Accountants, CPA Australia, the Institute of Chartered Secretaries and Administrators, the Hong Kong Institute of Company Secretaries and the Taxation Institute of Hong Kong and a fellow member of the Association of Chartered Certified Accountants. Dr. Leung is also a visiting lecturer of the Open University of Hong Kong (LiPACE), Hong Kong University (SPACE), and Hong Kong Baptist University (SCE). Dr. Leung was appointed as an independent non-executive director of the Company on 10 June 2003.

Mr. Lo Ka Wai, aged 38, graduated from University of Wollongong, Australia in 1991 with a bachelor of commerce degree (with merit). Mr. Lo is a qualified accountant and is also a member of Hong Kong Institute of Certified Public Accountants and CPA Australia. He has more than 16 years of experience in accounting and corporate finance. Mr. Lo was appointed as an independent non-executive director of the Company on 20 September 2004.

Senior management

Mr. Kam Kwai Wa, aged 46, is the senior project manager of CWF Piling & Civil Engineering Company Limited, a wholly-owned subsidiary of the Company, and is responsible for site planning and the supervision of foundation piling and superstructural works. Mr. Kam holds a higher certificate in civil engineering from the Hong Kong Polytechnic University and has more than 24 years of experience in the construction industry. He joined the Group in April 1994.

Mr. Ngan Chi Keung, Mike, aged 32, is the qualified accountant of the Company and the financial controller of the Group. Mr Ngan holds a Bachelor of Business Administration degree from the Hong Kong Baptist University. He is also a fellow member of the Association of Chartered Certified Accountants and Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants. He has over 8 years of experience in audit, accounting and finance.

DIRECTORS' SERVICE CONTRACTS

Each of Messrs. Ng Tat Leung, George, Wong Teck Ming and Lui Siu Yee, Samuel has entered into a service contract with the Company for an initial term of two years commencing from 1 September 1995. On their initial expiry, these service contracts provide that they will continue until terminated by not less than three months' written notice served by either party.

Apart from the foregoing, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

Report of the Directors

DIRECTORS' INTERESTS IN SHARE CAPITAL

At 31 March 2007, the interests and short positions of the directors in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO were as follows:

(1) Long positions in ordinary shares of the Company

	Number of ordinary shares held			
Name of directors	**Personal interests**	**Corporate interests**	**Total interests in shares**	**Percentage of issued ordinary shares as at 31 March 2007**
Mr. Ng Tat Leung, George	4,917,369	10,772,700 *(note (a))*	15,690,069	28.89%
Mr. Wong Teck Ming	30,000	–	30,000	0.05%
Mr. Lui Siu Yee, Samuel	30,600	–	30,600	0.05%

Note:

(a) These 10,772,700 shares are beneficially owned by Total Success Worldwide Limited, the entire issued share capital of which is owned as to approximately 46.46% by Mr. Chan Mo Yan, deceased, 46.46% by Mr. Ng Tat Leung, George and the remaining 7.08% by Mr. Wong Teck Ming. Accordingly, Mr. Ng Tat Leung, George, is deemed to be interested in all the shares in which Total Success Worldwide Limited is interested pursuant to the SFO.

(2) **Long positions in underlying shares and debentures and short positions in shares, underlying shares and debentures**

There were no long positions in the underlying shares and debentures or any short positions in the shares, underlying shares and debentures of the Company and its associated corporations, which were recorded in the register as required to be kept under Section 352 of Part XV of the SFO.

Save as disclosed herein, neither the directors nor any of their associates had any interests or short positions in shares, underlying shares or debentures of the Company or any of its associated corporations as at 31 March 2007 as defined in Section 352 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed under the heading "Directors' interests in share capital" above and in the share option scheme disclosures in note 33 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

Report of the Directors

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARE CAPITAL

At 31 March 2007, the following companies were interested in 5% or more of the issued share capital of the Company which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"):

(1) Long positions in ordinary shares and underlying shares of the Company

Name of shareholders	Number of ordinary shares held	Underlying shares of equity derivatives (i.e. warrant)	Total interest	Percentage of issued ordinary shares as at 31 March 2007
Grand Legend Limited *(note 1)*	10,775,081	–	10,775,081	19.84%
Total Success Worldwide Limited *(note 2)*	10,772,700	–	10,772,700	19.84%

Notes:

(1) 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. Accordingly, Mr. Lo Chun Yang and Ms. Loh Siu Yin, Lulu are deemed to be interested in all the shares in which Grand Legend Limited is interested pursuant to the SFO.

(2) Total Success Worldwide Limited owns 10,772,700 shares of the Company. The entire issued share capital of Total Success Worldwide Limited is owned as to approximately 46.46% by Mr. Chan Mo Yan, deceased, 46.46% by Mr. Ng Tat Leung, George and the remaining 7.08% by Mr. Wong Teck Ming. Accordingly, Mr. Chan Mo Yan, deceased and Mr. Ng Tat Leung, George are deemed to be interested in all the shares in which Total Success Worldwide Limited is interested pursuant to the SFO.

(2) short positions in shares and underlying shares

There were no short positions in the shares and underlying shares of the Company and its associated corporations, which were recorded in the register as required to be kept under Section 336 of Part XV of the SFO.

Save as disclosed herein, as at 31 March 2007, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests in share capital" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

SUBSEQUENT EVENTS

Details of the significant subsequent events of the Group are set out in note 40 to the financial statements.

CORPORATE GOVERNANCE

The Company has applied the principles and complied with all the applicable code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the year ended 31 March 2007, except for the deviation from provision A.2.1 of the Code in respect of the roles of chairman and chief executive officer of the Company. Corporate Governance Report is set out in pages 21 to 29 of this annual report.

The Company has established an Audit Committee ("AC") with specific terms of reference explaining its role and authorities delegated by the Board. The AC consists of three Independent Non-executive Directors, Mr. Wong Lit Chor, Alexis, Dr. Leung Wai Cheung and Mr. Lo Ka Wai, who together have sufficient accounting and financial management expertise and business experience to discharge their duties and none of them is a former partner of the external auditors of the Company. Mr. Wong Lit Chor, Alexis is the Chairman of the AC.

The AC's principal duties include reviewing the Group's financial controls, internal control and risk management systems, reviewing and monitoring integrity of financial statements and reviewing annual and interim financial statements and reports before submission to the Board. During the year, the AC has reviewed the annual and interim results of the Company for the year ended 31 March 2007 and was content that the accounting policies of the Group are in accordance with the generally accepted accounting practices in Hong Kong.

Report of the Directors

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company, as at the date of this report, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

ANNUAL CONFIRMATION OF INDEPENDENCE

The Company has received annual confirmation from each of the independent non-executive directors as regards their independence to the Company and considers that each of the independent non-executive directors is independent to the Company.

AUDITORS

Messrs. HLB Hodgson Impey Cheng were appointed as auditors of the Company to fill the casual vacancy created by the resignation of Messrs. Ernst & Young with effect from 31 January 2005. Save as aforesaid, there had been no other changes of the Company's auditors in the past three years.

A resolution for the reappointment of HLB Hodgson Impey Cheng as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Ng Tat Leung, George
Chairman and Managing Director

Hong Kong
20 July 2007

Corporate Governance Report

The Board of Directors (the "Board") of Wing Hing International (Holdings) Limited (the "Company") considers that good corporate governance of the Company can protect and safeguard the interests of the shareholders and to enhance the performance of the Company. The Board is committed to maintaining and ensuring high standards of corporate governance. The Company has applied the principles and complied with all the applicable code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") for the year ended 31 March 2007, except for the deviation from provision A.2.1 of the Code in respect of the roles of chairman and chief executive officer of the Company. The Board will continuously review and improve the corporate governance practices and standards of the Company to ensure that business activities and decision making processes are regulated in a proper and prudent manner.

CORPORATE GOVERNANCE PRACTICES

The Board assumes overall responsibilities for leadership and control of the Company and is collectively responsible for promoting the success of the Company and its business by directing and supervising the Company's affairs. The Board focuses on overall corporate strategies and policies with attention particularly paid to the financial performance of the Company.

To maximise the effectiveness of the Board, the Company has established audit committee, nomination committee and remuneration committee with specific written terms of reference respectively to assist in the execution of their duties. The terms of reference of each of the committees are reviewed and amended (if necessary) from time to time to enhance the corporate governance practices of the Company.

There is a clear division of the responsibilities of the Board and the management. The Board delegated its responsibilities to directors and senior management to deal with day-to-day operations and review those arrangements on a periodic basis. Management has to report back to the Board and obtain prior approval before making decisions for key matters or entering into any commitments on behalf of the Company. The Board has a balance of skill and experience appropriate for the requirements of the business of the Company.

The Board regularly meets in person to discuss and formulate overall strategic direction and objectives and also approve annual and interim results as well as other significant matters of the Company. Execution of daily operational matters is delegated to management.

Corporate Governance Report

The Company Secretary assists the Chairman in preparing notice and agenda for the meetings, and ensures that the Company complied with the corporate governance practices and other compliance matters. At least 14 days notice of all board meetings were given to all directors, who were all given an opportunity to include matters in the agenda for discussion.

All directors have access to the Company Secretary who is responsible for the Company's compliance with the continuing obligations of the Listing Rules, Code on Takeover and Mergers and Share Repurchases, Companies Ordinance, Securities and Futures Ordinance and other applicable laws, rules and regulations etc.

Minutes of the board/committee meetings are recorded in significant detail for any decision and recommendation made during the meetings. Draft and final versions of minutes are circulated to directors or committee members within a reasonable time after the meetings are held and taken as the true records of the proceedings of such meetings. All minutes are kept by the Company Secretary and are open for inspection at any reasonable time on reasonable notice by any director. All directors are entitled to have access to board papers and related materials unless there are legal or regulatory restrictions on disclosure due to regulatory requirements.

If a substantial shareholder or a director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter will be dealt with by way of a board/committee meeting and the interested shareholder or director shall not vote nor shall he/she be counted in the quorum present at the relevant meeting. Non-executive Director and Independent Non-executive Director who, and whose associates, have no material interest in the transaction, should be present at such a board meeting.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has established written guidelines for the required standard of dealings in securities (the "Written Guideline") by directors of the Company. Having made specific enquiries of directors of the Company, the Board is pleased to confirm that they have fully complied with the required standard with respect to the securities dealings of the Company and there was no event of non-compliance. The Written Guideline also applies to other specified senior management of the Company.

BOARD OF DIRECTORS

The Board currently comprises eight members as follows:

Executive Directors:
Mr. Ng Tat Leung, George *(Chairman and Managing Director)*
Mr. Wong Teck Ming *(Deputy Chairman)*
Mr. Lui Siu Yee, Samuel
Mr. Chan Wai Keung, Ivan
Mr. Lo Chung Sun, Simon

Independent Non-executive Directors:
Mr. Wong Lit Chor, Alexis
Dr. Leung Wai Cheung
Mr. Lo Ka Wai

The principal focus of the Board is on the overall strategic development of the Company. The Board also monitors the financial performance and the internal controls of the Company's business operations.

With a wide range of expertise and a balance of skills, the Independent Non-executive Directors bring independent judgment on issues of strategic direction, development, performance and risk management through their contribution at board meetings and committee work.

The Independent Non-executive Directors also serve the important function of ensuring and monitoring the basis for an effective corporate governance framework. The Board considers that each Independent Non-executive Director is independent in character and judgment and that they all meet the specific independence criteria as required by the Listing Rules. The Company has received from each Independent Non-executive Director an annual confirmation regarding his independence, and the Board considered their independence to the Company. The Independent Non-executive Directors are explicitly identified in all corporate communications of the Company.

There is no relationship between members of the Board.

Corporate Governance Report

The Board held sixteen meetings during the financial year ended 31 March 2007. Details of attendance of individual director at board meetings are set out as below:

Name of Directors	Number of meetings held	Number of meetings attended
Mr. Ng Tat Leung, George	16	16
Mr. Wong Teck Ming	16	16
Mr. Lui Siu Yee, Samuel	16	16
Mr. Chan Wai Keung, Ivan	16	7
Mr. Lo Chung Sun, Simon	16	7
Mr. Wong Lit Chor, Alexis	16	5
Dr. Leung Wai Cheung	16	5
Mr. Lo Ka Wai	16	4

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Ng Tat Leung, George is the Chairman and managing director of the Company and the Company does not appoint Chief Executive Officer ("CEO") during the year under review. Mr. Ng assumes the role of both the Chairman and CEO of the Company.

Mr. Ng Tat Leung, George is responsible for overseeing strategic planning and leadership of the Company and exercising control over the quality, quantity and timeliness of the flow of information between the management of the Company and the Board that would allow them to effectively discharge their responsibilities. Mr. Ng is also responsible for coordinating the Company's business and to market and locate potential business opportunities and execute the policy of the Company.

The duties of Chairman and CEO rests on the same individual which deviates from the Code provision as set out in Appendix 14 of the Listing Rules. The Company does not appoint CEO and is not considering to appoint one in view of the strong leadership from Chairman which allows configuration of resources of the Company in order to focus on the Company's business. Chairman has more than 25 years of experience in the construction industry. The Board considers that Chairman is capable to guide discussions and brief the Board in a timely manner on pertinent issues with balance of power and authority delegated to the Board and senior management.

REMUNERATION OF DIRECTORS

The Company has established a Remuneration Committee ("RC") with specific terms of reference which deal clearly with its authorities and duties. The majority of RC members are Independent Non-executive Directors which consists of Mr. Wong Lit Chor, Alexis, Dr. Leung Wai Cheung and Mr. Lo Ka Wai, all are Independent Non-executive Directors; and Mr. Ng Tat Leung, George and Mr. Lui Siu Yee, Samuel, both are Executive Directors of the Company. Mr. Wong Lit Chor, Alexis is the Chairman of the RC.

The RC advises the Board on the Company's overall policy and structure for the remuneration of directors and senior management, determine the remuneration packages of all directors and senior management, review and approve their performance-based remuneration, review and approving compensation to directors and senior management in connection with any loss or termination of their office or appointment. The RC also ensures that no director or any of his associate is involved in deciding his own remuneration.

In determining the emolument payable to directors, the RC takes into consideration factors such as salaries paid by comparable companies, time commitment and responsibilities of the directors, employment and market conditions.

The RC is also authorized to investigate any matter within its terms of reference and seek any information it requires from any employee and obtain outside legal or other independent professional advice at the cost of the Company if necessary.

No RC meeting has been held during the financial year ended 31 March 2007 to review the remuneration packages of directors and senior management, which are nominal by market standards and the Company's performance. The Board considered that the existing remuneration packages to each director and senior management are reasonable and appropriate with reference to the financial performance of the Company, employment and market conditions as a whole.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

The Company has established a Nomination Committee ("NC") with specific terms of reference which deal clearly with its authorities and duties. The majority of NC members are Independent Non-executive Directors which consists of Mr. Wong Lit Chor, Alexis, Dr. Leung Wai Cheung and Mr. Lo Ka Wai, all are Independent Non-executive Directors; and Mr. Ng Tat Leung, George and Mr. Lui Siu Yee, Samuel, both are Executive Directors of the Company. Mr. Lo Ka Wai is the Chairman of the NC.

The NC is responsible for the appointment of its own members, identifying appropriate candidate and recommending qualified candidate to the Board for consideration. The Board will review profiles of the candidates recommended by the NC and make appointment if appropriate. Candidates are appointed to the Board on the basis of their integrity, independent mindedness, experience, skill and the ability to commit time and effort to carry out his duties and responsibilities effectively.

The NC also assesses the independence of Independent Non-executive Directors and marking recommendations to the Board on such appointments or re-election.

All directors are also subject to re-election by shareholders at the annual general meeting pursuant to the Bye-laws of the Company.

No NC meeting has been held during the financial year ended 31 March 2007 to make recommendations to the Board regarding the Board appointment. In accordance with the Company's Articles of Association, one-third of the directors who have been longest in office since their last election or re-election are subject to retirement by rotation. All retiring directors are eligible for re-election.

AUDIT COMMITTEE

The Company has established an Audit Committee ("AC") with specific terms of reference explaining its role and authorities delegated by the Board. The AC consists of three Independent Non-executive Directors, Mr. Wong Lit Chor, Alexis, Dr. Leung Wai Cheung and Mr. Lo Ka Wai, who together have sufficient accounting and financial management expertise and business experience to discharge their duties and none of them is a former partner of the external auditors of the Company. Mr. Wong Lit Chor, Alexis is the Chairman of the AC.

The AC's principal duties include reviewing the Group's financial controls, internal control and risk management systems, reviewing and monitoring integrity of financial statements and reviewing annual and interim financial statements and reports before submission to the Board and considering and recommending the appointment, re-appointment and removal of external auditors of the Company. The AC meets with the external auditors and the management of the Group to ensure that the audit findings are addressed properly. The Audit Committee is authorized to take independent professional advice at Company's expense, if necessary.

The AC meets regularly to review the financial results and other information to shareholders, the system of internal control and risk management. The AC also provides an important link between the Board and the Company's auditors in matters within the scope of its terms of reference and keeps under review the independence of auditors. During the year, the AC has reviewed the annual and interim results of the Company for the year ended 31 March 2007 and was content that the accounting policies of the Group are in accordance with the generally accepted accounting practices in Hong Kong.

The financial statements of the Company for the year have been audited by HLB Hodgson Impey Cheng ("HLB"). During the year, remuneration of approximately HK$610,000 was charged by HLB for provision of audit services. In addition, approximately HK$250,000 was charged by HLB for other non-audit services. The non-audit services mainly consisted of consultancy services during the year.

Corporate Governance Report

During the financial year ended 31 March 2007, two AC meetings were held and the individual attendance of each member is set out below:

Name of Directors	Number of meetings held	Number of meetings attended
Mr. Wong Lit Chor, Alexis	2	2
Dr. Leung Wai Cheung	2	2
Mr. Lo Ka Wai	2	2

ACCOUNTABILITY AND AUDIT

The directors are responsible for the preparation of financial statements for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. In preparing the financial statements for the year ended 31 March 2007, the directors have selected suitable accounting policies and applied them consistently, adopted appropriate Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards, made adjustments and estimates that are prudent and reasonable, and have prepared the financial statements on the going concern basis. The directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company.

INTERNAL CONTROLS

The Board has overall responsibility for the system of internal controls of the Company and for reviewing its effectiveness. The Board is committed to implementing an effective internal controls system to protect and safeguard the interest of shareholders and assets of the Company. The controls are to provide reasonable assurance (but not absolute guarantee) that assets are adequately safeguard, operational controls are in place, business risks are suitably protected and proper accounting records are maintained.

The Board reviews the internal control system of the Group annually and will take any necessary and appropriate action to maintain adequate internal control system to protect and safeguard the interest of shareholders and assets of the Company. The effectiveness of the internal control system was discussed on an annual basis with the Audit Committee.

COMMUNICATION WITH SHAREHOLDERS

The Company maintains a high level of transparency in communicating with shareholders and is committed to continue to maintain an open and effective investor communication policy and to update investors on relevant information in a timely manner, subject to relevant regulatory requirements. In order to ensure effective, clear and accurate communications with the shareholders, all corporate communications are arranged and handled by executive directors and designated persons.

The Company aims to provide its shareholders with high standards of disclosure and financial transparency through the publication of annual and interim reports, press announcements and circulars made through Stock Exchange's websites. The Company has announced its annual results and interim results in a timely manner during the year under review. Separate resolutions are proposed at the general meetings on each substantially separate issue, including the election of individual directors. In addition, procedures for demanding a poll are included in the circular to shareholders as required under the Listing Rules.

The Board also maintains an on-going dialogue with shareholders and use general meeting to communicate with shareholders. The Company encourages all shareholders to attend general meeting which provides a useful forum for shareholders to exchange views with the Board. The Chairman of the Board and members of relevant committees and senior management of the Company are also available to answer the shareholders' questions.

Independent Auditors' Report

HLB 國衛會計師事務所
Hodgson Impey Cheng

Chartered Accountants
Certified Public Accountants

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

TO THE SHAREHOLDERS OF
WING HING INTERNATIONAL (HOLDINGS) LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Wing Hing International (Holdings) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 32 to 123, which comprise the consolidated and company balance sheets as at 31 March 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group and of the Company as at 31 March 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

Hong Kong, 20 July 2007

Consolidated Income Statement

For the year ended 31 March 2007

	Notes	2007 HK$'000	2006 HK$'000
Revenue	6	**480,292**	494,445
Cost of sales	11	**(425,548)**	(490,730)
Gross profit		**54,744**	3,715
Other income	8	**43,829**	13,294
Other gains and losses		**5,713**	4,889
Administrative and operating expenses		**(68,816)**	(42,019)
Share of losses of associates		**(3,497)**	(413)
Share of (losses)/profits of jointly-controlled entities		**(19,467)**	800
Finance costs	9	**(1,007)**	(890)
Profit/(Loss) before tax		**11,499**	(20,624)
Income tax expense	10	**(734)**	(369)
Profit/(Loss) for the year	11	**10,765**	(20,993)
Attributable to:			
Equity holders of the Company		**9,519**	(22,336)
Minority interests		**1,246**	1,343
		10,765	(20,993)
Earnings/(Loss) per share			
Basic (HK cents per share)	14	**18.97**	(63.46)
Diluted (HK cents per share)	14	**N/A**	N/A

Consolidated Balance Sheet

At 31 March 2007

	Notes	2007 HK$'000	2006 HK$'000
Non-current assets			
Property, plant and equipment	16	**21,198**	23,997
Prepaid lease payments	17	**675**	692
Investment property	18	**4,800**	4,400
Goodwill	19	**1,943**	2,308
Interests in associates	21	**21,039**	17,704
Interests in jointly-controlled entities	22	**9,309**	37,621
Available-for-sale investment	23	**1**	1
Amount due from an investee entity	23	**16,604**	13,164
Contract retention receivables	24	**2,154**	3,963
Deferred tax assets	30	**104**	112
		77,827	103,962
Current assets			
Accounts receivable	24	**95,357**	114,553
Other receivables	25	**26,987**	13,698
Pledged bank deposits	26, 29	**16,675**	20,944
Bank balances and cash	26	**33,742**	18,465
		172,761	167,660
Current liabilities			
Accounts payable	27	**73,583**	100,921
Other payables	28	**7,911**	13,808
Tax liabilities		**–**	657
Bank borrowings, secured	29	**846**	15,602
		82,340	130,988
Net current assets		**90,421**	36,672
Total assets less current liabilities		**168,248**	140,634

Consolidated Balance Sheet

At 31 March 2007

	Notes	2007 HK$'000	2006 HK$'000
Capital and reserves			
Share capital	32	**54,300**	36,200
Reserves		**106,511**	95,235
Equity attributable to the equity holders of the Company		**160,811**	131,435
Minority interests		**2,951**	5,087
Total equity		**163,762**	136,522
Non-current liabilities			
Deferred tax liabilities	30	**1,828**	609
Bank borrowings, secured	29	**2,658**	3,503
		4,486	4,112
		168,248	140,634

The consolidated financial statements on pages 32 and 123 were approved and authorized for issue by the Board of Directors on 20 July 2007 and are signed on its behalf by:

Ng Tat Leung, George
Director

Lui Siu Yee, Samuel
Director

Balance Sheet

At 31 March 2007

	Notes	2007 HK$'000	2006 HK$'000
Non-current assets			
Property, plant and equipment	*16*	**205**	394
Interests in subsidiaries	*20*	**98,890**	107,012
		99,095	107,406
Current assets			
Amounts due from subsidiaries	*20*	**58,580**	25,650
Amounts due from associates		**59**	–
Other receivables		**755**	921
Bank balances and cash		**544**	68
		59,938	26,639
Current liabilities			
Amounts due to subsidiaries	*20*	**2,204**	3,365
Other payables		**703**	665
		2,907	4,030
Net current assets		**57,031**	22,609
Net assets		**156,126**	130,015
Capital and reserves			
Share capital	*32*	**54,300**	36,200
Reserves	*34*	**101,826**	93,815
		156,126	130,015

Ng Tat Leung, George
Director

Lui Siu Yee, Samuel
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2007

	Attributable to the equity holders of the Company									
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Assets revaluation reserve HK$'000	Warrant reserve HK$'000	Convertible loan note equity reserve HK$'000	Retained profits/ (Accumulated losses) HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 April 2005	28,750	166,405*	1,781*	15,611*	–*	672*	(78,977)*	134,242	4,265	138,507
Gain on fair value changes of property, plant and equipment	–	–	–	4,083	–	–	–	4,083	130	4,213
Loss on fair value changes of property, plant and equipment	–	–	–	(5)	–	–	–	(5)	(1)	(6)
Deferred tax *(note 30)*	–	–	–	(221)	–	–	–	(221)	–	(221)
Release upon disposal of property, plant and equipment	–	–	–	(980)	–	–	980	–	–	–
Net income recognized directly in equity	–	–	–	2,877	–	–	980	3,857	129	3,986
Loss for the year	–	–	–	–	–	–	(22,336)	(22,336)	1,343	(20,993)
Total income and expenses recognized for the year	–	–	–	2,877	–	–	(21,356)	(18,479)	1,472	(17,007)
Issue of shares upon conversion of Convertible Note *(note 31)*	5,750	6,194	–	–	–	(672)	–	11,272	–	11,272
Capital Reduction *(note 34)*	–	(138,808)	–	–	–	–	138,808	–	–	–
Acquisition of additional interest in a subsidiary *(note 35(i))*:										
– Issue of Consideration Shares	1,700	1,700	–	–	–	–	–	3,400	–	3,400
– Issue of warrants	–	–	–	–	1,000	–	–	1,000	–	1,000
Dividend paid to minority shareholders	–	–	–	–	–	–	–	–	(650)	(650)
At 31 March 2006	36,200	35,491*	1,781*	18,488*	1,000*	–	38,475*	131,435	5,087	136,522

Consolidated Statement of Changes in Equity

For the year ended 31 March 2007

	Attributable to the equity holders of the Company									
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Assets revaluation reserve HK$'000	Warrant reserve HK$'000	Convertible loan note equity reserve HK$'000	Retained profits HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 April 2006	36,200	35,491*	1,781*	18,488*	1,000*	–	38,475*	131,435	5,087	136,522
Gain on fair value changes of property, plant and equipment	–	–	–	2,882	–	–	–	2,882	–	2,882
Loss on fair value changes of property, plant and equipment	–	–	–	(7)	–	–	–	(7)	–	(7)
Deferred tax *(note 30)*	–	–	–	(1,040)	–	–	–	(1,040)	–	(1,040)
Release upon disposal of property, plant and equipment	–	–	–	(585)	–	–	585	–	–	–
Net income recognized directly in equity	–	–	–	1,250	–	–	585	1,835	–	1,835
Profit for the year	–	–	–	–	–	–	9,519	9,519	1,246	10,765
Total income and expenses recognized for the year	–	–	–	1,250	–	–	10,104	11,354	1,246	12,600
Issue of ordinary shares *(note 32)*	18,100	–	–	–	–	–	–	18,100	–	18,100
Release upon disposal of a subsidiary *(note 35(ii))*	–	–	–	(78)	–	–	–	(78)	(3,382)	(3,460)
At 31 March 2007	54,300	35,491*	1,781*	19,660*	1,000*	–	48,579*	160,811	2,951	163,762

* *These reserve accounts comprise the consolidated reserves of HK$106,511,000 (2006: HK$95,235,000) in the consolidated balance sheet.*

The contributed surplus of the Group arose as a result of the Group reorganization completed on 2 October 1995 and represents the difference between the nominal value of the aggregate share capital of the subsidiaries acquired pursuant to the Group reorganization, over the nominal value of the share capital of the Company issued in exchange therefor.

Consolidated Cash Flow Statement

For the year ended 31 March 2007

	Notes	2007 HK$'000	2006 HK$'000
Operating activities			
Profit/(Loss) for the year		**10,765**	(20,993)
Adjustments for:			
Amortization of prepaid lease payments		**17**	17
Depreciation for property, plant and equipment		**4,888**	5,451
Gain on disposal of subsidiaries		**(3,843)**	–
Gain on fair value changes of an investment property		**(400)**	(400)
Loss on fair value changes of property, plant and equipment		**11**	58
Impairment loss recognized in respect of amounts due from contract customers		**989**	1,894
Impairment loss reversed in respect of amounts due from contract customers		**(2,246)**	–
Interest income		**(785)**	(908)
Loss on disposal of property, plant and equipment		**165**	195
Loss on disposal of an associate		**–**	710
Loss on disposal of a jointly-controlled entity		**111**	–
Write back of long outstanding payables		**(371)**	(7,346)
Share of losses of associates		**3,497**	413
Share of losses/(profits) of jointly-controlled entities		**19,467**	(800)
Finance costs		**1,007**	890
Income tax expense		**734**	369
Operating cash flows before movements in working capital		**34,006**	(20,450)
Accounts receivable		**6,236**	19,624
Balances with jointly-controlled entities		**(3,523)**	9,429
Balances with associates		**(2,372)**	(2,503)
Balances with related companies		**–**	1,895
Balances with minority shareholders		**144**	(1,179)
Prepayments, deposits and other receivables		**(693)**	2,507
Accounts payable		**(10,630)**	(8,006)
Other payables and accruals		**(478)**	46
Cash generated from operations		**22,690**	1,363
Interest paid		**(1,007)**	(836)
Hong Kong Profits Tax paid		**(48)**	(16)
Net cash generated by operating activities		**21,635**	511

Consolidated Cash Flow Statement

For the year ended 31 March 2007

	Notes	2007 HK$'000	2006 HK$'000
Investing activities			
Interest received		785	908
Dividends received from jointly-controlled entities		3,560	9,286
Dividends received from an associate		–	2,449
Purchase of property, plant and equipment		(291)	(913)
Acquisition of a subsidiary	35	–	(9,663)
Disposal of subsidiaries	35	(14,009)	–
Acquisition of associates		–	(850)
Amounts advanced to associates		–	(8,946)
Purchase of available-for-sale investment		–	(1)
Amounts advanced to an investee entity		(3,440)	(13,164)
Proceeds from disposal of property, plant and equipment		269	66
Decrease in pledged bank deposits		4,269	14,081
Net cash used in investing activities		(8,857)	(6,747)
Financing activities			
Proceeds from issue of ordinary shares		18,100	–
Proceeds from bank borrowings		–	6,120
Repayment of bank borrowings		(801)	(195)
Proceeds from new trust receipt loans		24,363	37,379
Repayment of trust receipt loans		(37,479)	(27,943)
Repayment of term loan		(1,620)	–
Capital contributions from minority interests		–	608
Dividends paid to minority interests		–	(650)
Net cash generated by financing activities		2,563	15,319
Net increase in cash and cash equivalents		15,341	9,083
Cash and cash equivalents at the beginning of the financial year		18,401	9,318
Cash and cash equivalents at the end of the financial year		33,742	18,401
Analysis of balances of cash and cash equivalents			
Bank balances and cash		33,742	18,465
Bank overdrafts		–	(64)
		33,742	18,401

Notes to the Consolidated Financial Statements

For the year ended 31 March 2007

1. GENERAL

Wing Hing International (Holdings) Limited (the "Company") was incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended) and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's registered office is situated at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda. The Company's principal place of business in Hong Kong is situated at 14th Floor, Yau Lee Centre, 45 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in the undertaking of superstructure construction, foundation piling, substructure works, slope improvement, special construction projects, interior decoration and landscaping works in Hong Kong.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied, for the first time, a number of new standards, amendments and interpretations (the "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are either effective for accounting periods beginning on or after 1 December 2005, 1 January 2006 or 1 March 2006. The adoption of these new HKFRSs has had no material impact on the amounts reported for the current or prior accounting years.

The Group has not early applied the following new standards, amendments or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these new standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

		Notes
HKAS 1 (Amendment)	Capital Disclosures	1
HKAS 23 (Revised)	Borrowing Costs	7
HKFRS 7	Financial Instruments: Disclosures	1
HKFRS 8	Operating Segments	7
HK(IFRIC)-Int 8	Scope of HKFRS 2	2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives	3
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment	4
HK(IFRIC)-Int 11	HKFRS 2–Group and Treasury Share Transactions	5
HK(IFRIC)-Int 12	Service Concession Arrangements	6

Notes:

1. Effective for annual periods beginning on or after 1 January 2007
2. Effective for annual periods beginning on or after 1 May 2006
3. Effective for annual periods beginning on or after 1 June 2006
4. Effective for annual periods beginning on or after 1 November 2006
5. Effective for annual periods beginning on or after 1 March 2007
6. Effective for annual periods beginning on or after 1 January 2008
7. Effective for annual periods beginning on or after 1 January 2009

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain properties, plant and equipment and financial instruments, which are measured at revalued amounts or fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 "Business Combinations" are recognized at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", which are recognized and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognized immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognized.

Goodwill

Goodwill arising on acquisitions prior to 1 January 2005

Goodwill arising on an acquisition of a subsidiary for which the agreement date is before 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant subsidiary at the date of acquisition.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill *(Continued)*

Goodwill arising on acquisitions prior to 1 January 2005 (Continued)

For previously capitalized goodwill arising on acquisitions of subsidiaries, the Group has discontinued amortization from 1 January 2005 onwards, and such goodwill (net of cumulative amortization as at 31 December 2005) is tested for impairment annually, and whenever there is an indication that the cash-generating unit to which the goodwill relates may be impaired (see the accounting policy below).

Goodwill arising on acquisitions on or after 1 January 2005

Goodwill arising on an acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalized goodwill arising on an acquisition of a subsidiary is presented separately in the consolidated balance sheet.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year.

When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill *(Continued)*

Goodwill arising on acquisitions on or after to 1 January 2005 (Continued)

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalized is included in the determination of the amount of profit or loss on disposal.

Investments in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. An additional share of losses is provided for and a liability is recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognized at the date of acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates *(Continued)*

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Jointly-controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly-controlled entities.

The results and assets and liabilities of jointly-controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly-controlled entities are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity of the jointly-controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly-controlled entity equals or exceeds its interest in that jointly-controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly-controlled entity), the Group discontinues recognizing its share of further losses. An additional share of losses is provided for and a liability is recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly-controlled entity.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the jointly-controlled entity recognized at the date of acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Jointly-controlled entities *(Continued)*

When a group entity transacts with a jointly-controlled entity of the Group, unrealized profits or losses are eliminated to the extent of the Group's interest in the jointly-controlled entity, except to the extent that unrealized losses provide evidence of an impairment of the asset transferred, in which case, the full amount of losses is recognized.

Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognized by reference to the stage of completion of the contract activity at the balance sheet date, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed to the customer.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized to the extent of contract costs incurred that it is probable will recoverable. Contract costs are recognized as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as expense immediately.

Revenue recognition

Revenue from construction contracts is recognized on the percentage of completion basis, as further explained in the accounting policy for "Construction contracts" above.

Sales of goods are recognized when goods are delivered and title has passed.

Service income is recognized when services are provided.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Property, plant and equipment

Property, plant and equipment are stated at cost or fair value less subsequent accumulated depreciation and impairment losses.

Buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated balance sheet at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and any subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any revaluation increase arising on revaluation of buildings is credited to the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognized as an expense, in which case the increase is credited to the consolidated income statement to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is dealt with as an expense to the extent that it exceeds the balance, if any, on the asset revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

Depreciation is provided to write off the cost or fair value of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognized.

Investment properties

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year in which the item is derecognized.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing *(Continued)*

The Group as lessor

Rental income from operating leases is recognized in the consolidated income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized as an expense on a straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on borrowing costs (see below).

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognized as a reduction of rental expense over the lease term on a straight-line basis.

Leasehold land

Interest in leasehold land is amortized over the lease term on a straight-line basis.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognized in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognized in equity in the consolidated financials statements. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in equity, in which cases, the exchange differences are also recognized directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognized as a separate component of equity (the translation reserve). Such exchange differences are recognized in profit or loss in the period in which the foreign operation is disposed of.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the balance sheet date. Exchange differences arising are recognized in the translation reserve.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalized as part of the cost of those assets. Capitalization of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments

Financial assets and financial liabilities are recognized on the consolidated balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss has two subcategories, including financial assets held for trading and those designated as at fair value through profit or loss on initial recognition.

A financial asset other than a financial asset held for trading may be designated as at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

Notes to the Consolidated Financial Statements

For the year ended 31 March 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets at fair value through profit or loss (Continued)

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognized directly in profit or loss in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including accounts receivable, other receivables, pledged bank deposits and bank balances) are carried at amortized cost using the effective interest method, less any identified impairment losses. An impairment loss is recognized in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognized, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. At each balance sheet date subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method, less any identified impairment losses. An impairment loss is recognized in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed on initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognized, subject to the restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognized in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognized in equity is removed from equity and recognized in profit or loss. Any impairment losses on available-for-sale financial assets are recognized in profit or loss. Impairment losses on available-for-sale equity investments will not reverse in profit or loss in subsequent periods. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Available-for-sale financial assets (Continued)

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. An impairment loss is recognized in profit or loss when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not reverse in subsequent periods.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities at fair value through profit or loss and other financial liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss has two subcategories, including financial liabilities held for trading and those designated as at fair value through profit or loss on initial recognition.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities at fair value through profit or loss (Continued)

A financial liability other than a financial liability held for trading may be designated as at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

At each balance sheet date subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognized directly in profit or loss in the period in which they arise.

Other financial liabilities

Other financial liabilities (including accounts payable, other payables, and bank borrowings) are subsequently measured at amortized cost, using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Convertible loan notes

Convertible loan notes issued by the Company that contain both the liability and conversion option components are classified separately into respective items on initial recognition. Conversion option will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest rate of similar non-convertible debts. The difference between the proceeds of the issue of the convertible loan notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the loan notes into equity, is included in equity (convertible loan notes equity reserve).

In subsequent periods, the liability component of the convertible loan notes is carried at amortized cost using the effective interest method. The equity component, represented by the option to convert the liability component into ordinary shares of the Company, will remain in convertible loan notes equity reserve until the conversion option is exercised (in which case the balance stated in convertible loan notes equity reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible loan notes equity reserve will be released to the retained profits. No gain or loss is recognized in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and equity components in proportion to the allocation of the proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and amortized over the period of the convertible loan notes using the effective interest method.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Consideration paid to reacquire the Company's own equity instruments are deducted from equity. No gain or loss is recognized in profit or loss.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designed as at fair value through profit or loss is recognized initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contact at the higher of: (i) the amount determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and (ii) the amount initially recognized less, when appropriate, cumulative amortization recognized in accordance with HKAS 18 "Revenue".

Derecognition

Financial assets are derecognized when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized directly in equity is recognized in profit or loss.

Financial liabilities are derecognized when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognized and the consideration paid is recognized in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Provisions

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Impairment losses (other than goodwill)

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as income immediately.

Share-based payment transactions

Equity-settled share-based payment transactions

For share options granted to employees, the fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The effect of the change in estimate, if any, is recognized in profit or loss with a corresponding adjustment to share options reserve.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payment transactions *(Continued)*

Equity-settled share-based payment transactions (Continued)

At the time when the share options are exercised, the amount previously recognized in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in share options reserve will be transferred to retained profits.

For share options granted to suppliers in exchange for goods or services, they are measured at the fair value of the goods or services received. The fair values of the goods or services are recognized as expenses immediately, unless the goods or services qualify for recognition as assets. Corresponding adjustments are made to equity.

Cash-settled share-based payment transactions

For cash-settled share-based payments, the Group measures the goods or services acquired and the liability incurred at the fair value of the liability. At each balance sheet date, the liability is remeasured at its fair value until the liability is settled, with any changes in fair value recognized in profit or loss.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2007

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Estimated impairment of property, plant and equipment

The Group evaluates whether items of property, plant and equipment have suffered any impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable, in accordance with the stated accounting policy. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

Estimated useful lives of property, plant and equipment

Management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charges where useful lives are less than previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Impairment loss of accounts and other receivables

The Group's policy for doubtful receivables is based on the on-going evaluation of the collectability and aging analysis of the accounts and other receivables and on management's judgments. Considerable judgment is required in assessing the ultimate realization of these receivables, including the current creditworthiness and the past collection history of each debtor, and the present values of the estimated future cash flows discounted at the effective interest rates. If the financial conditions of the Group's debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment loss of accounts and other receivables may be required.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2007

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Outcome of construction contracts

The Group determines whether outcome of a construction contract can be estimated reliably. This requires a continuous estimation of the total contract revenue and costs and stage of completion with reference to work certified by architects and the assessment of the probability of the future economic flows to the Group.

Income taxes

Determining income tax provisions involves judgment on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Where the final tax outcome of these transactions is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include accounts receivable, other receivables, bank balances and cash, accounts payable, other payables and bank borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations at 31 March 2007 in relation to each class of recognized financial assets is the carrying amount of those assets as stated in the consolidated balance sheet.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk *(Continued)*

In order to minimize the credit risk, the management of the Group has delegated a team responsible for monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual receivable to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management considers that the Group's credit risk is significantly reduced.

Interest rate risk

The Group is exposed to both fair value interest rate risk and cash flows interest rate risk through the impact of the rate changes on fixed interest rate borrowings and floating interest rate borrowings respectively. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Foreign currency risk

Certain accounts receivable, other receivables, bank balances, accounts payable and other payables of the Group are denominated in foreign currencies. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilization of borrowings and ensures compliance with loan covenants.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2007

6. REVENUE

An analysis of the Group's revenue for the year is as follows:

	2007	2006
	HK$'000	HK$'000
Construction contract revenue	447,385	460,956
Revenue from sales of goods	32,907	33,489
	480,292	494,445

7. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organized into five operating divisions –

(a) Superstructure construction works segment;

(b) Foundation piling, substructure works and slope improvement works segment;

(c) Special construction projects segment including civil engineering work, and electrical and mechanical works;

(d) Interior decoration and landscaping works segment; and

(e) Corporate and others segment, which comprises the Group's investment holding, and trading of construction machines and plastic products.

These divisions are the basis on which the Group reports its primary segment information.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2007

7. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

Segment information about these businesses is presented below.

2007

	Superstructure construction works HK$'000	Foundation piling, substructure works and slope improvement works HK$'000	Special construction projects HK$'000	Interior decoration and landscaping works HK$'000	Corporate and others HK$'000	Eliminations HK$'000	Consolidated HK$'000
REVENUE							
External sales	400,745	31,466	1,653	13,521	32,907	–	480,292
Inter-segment sales	–	1,704	–	32,082	–	(33,786)	–
Total	400,745	33,170	1,653	45,603	32,907	(33,786)	480,292

Inter-segment sales are charged at prevailing market rates.

	Superstructure construction works HK$'000	Foundation piling, substructure works and slope improvement works HK$'000	Special construction projects HK$'000	Interior decoration and landscaping works HK$'000	Corporate and others HK$'000	Eliminations HK$'000	Consolidated HK$'000
RESULT							
Segment result	43,720	46,466	(2,034)	7,672	2,014	(50)	97,788
Unallocated income							6,663
Unallocated corporate expenses							(68,981)
Share of losses of							
– associates							(3,497)
– jointly-controlled entities							(19,467)
Finance costs							(1,007)
Profit before tax							11,499
Income tax expense							(734)
Profit for the year							10,765

Notes to the Consolidated Financial Statements

For the year ended 31 March 2007

7. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

2007

	Superstructure construction works HK$'000	Foundation piling, substructure works and slope improvement works HK$'000	Special construction projects HK$'000	Interior decoration and landscaping works HK$'000	Corporate and others HK$'000	Eliminations HK$'000	Consolidated HK$'000
BALANCE SHEET							
ASSETS							
Segment assets	100,740	15,313	–	3,697	47,505	521	167,776
Interests in associates	–	–	–	702	20,337	–	21,039
Interests in jointly-controlled entities	646	1,621	(14,323)	–	21,365	–	9,309
Unallocated corporate assets							52,464
Consolidated total assets							250,588
LIABILITIES							
Segment liabilities	61,390	14,043	–	3,313	2,748	–	81,494
Unallocated corporate liabilities							5,332
Consolidated total liabilities							86,826

Notes to the Consolidated Financial Statements

For the year ended 31 March 2007

7. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

2007

	Superstructure construction works HK$'000	Foundation piling, substructure works and slope improvement works HK$'000	Special construction projects HK$'000	Interior decoration and landscaping works HK$'000	Corporate and others HK$'000	Eliminations HK$'000	Consolidated HK$'000
OTHER INFORMATION							
Capital additions	208	–	–	39	44	–	291
Depreciation and amortization	225	275	–	76	4,329	–	4,905
Loss on fair value changes of property, plant and equipment	11	–	–	–	–	–	11
Impairment losses on amounts due from contract customers	130	649	–	210	–	–	989
Impairment losses reversed on amounts due from contract customers	(2,246)	–	–	–	–	–	(2,246)
Loss on disposal of property, plant and equipment	100	33	–	32	–	–	165
Loss on disposal of a jointly–controlled entity	–	–	111	–	–	–	111
Gain on fair value changes of investment property	–	–	–	–	(400)	–	(400)
Gain on disposal of subsidiaries	–	–	–	(3,843)	–	–	(3,843)
Write back of long outstanding payables	(74)	(187)	–	(110)	–	–	(371)

Notes to the Consolidated Financial Statements

For the year ended 31 March 2007

7. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

2006

	Superstructure construction works HK$'000	Foundation piling, substructure works and slope improvement works HK$'000	Special construction projects HK$'000	Interior decoration and landscaping works HK$'000	Corporate and others HK$'000	Eliminations HK$'000	Consolidated HK$'000
REVENUE							
External sales	326,263	54,535	58,671	21,487	33,489	–	494,445
Inter-segment sales	287	4,055	2,882	34,661	–	(41,885)	–
Total	326,550	58,590	61,553	56,148	33,489	(41,885)	494,445

Inter-segment sales are charged at prevailing market rates.

	Superstructure construction works HK$'000	Foundation piling, substructure works and slope improvement works HK$'000	Special construction projects HK$'000	Interior decoration and landscaping works HK$'000	Corporate and others HK$'000	Eliminations HK$'000	Consolidated HK$'000
RESULT							
Segment result	32,523	17,780	(40,795)	8,709	3,954	1,277	23,448
Unallocated income							1,308
Unallocated corporate expenses							(44,877)
Share of profits/(losses) of							
– associates							(413)
– jointly-controlled entities							800
Finance costs							(890)
Loss before tax							(20,624)
Income tax expense							(369)
Loss for the year							(20,993)

Notes to the Consolidated Financial Statements

For the year ended 31 March 2007

7. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

2006

	Superstructure construction works HK$'000	Foundation piling, substructure works and slope improvement works HK$'000	Special construction projects HK$'000	Interior decoration and landscaping works HK$'000	Corporate and others HK$'000	Eliminations HK$'000	Consolidated HK$'000
BALANCE SHEET							
ASSETS							
Segment assets	87,549	23,325	8,740	8,776	45,483	595	174,468
Interests in associates	–	–	–	–	17,704	–	17,704
Interests in jointly-controlled entities	3,183	(274)	6,005	–	28,707	–	37,621
Unallocated corporate assets							41,829
Consolidated total assets							271,622
LIABILITIES							
Segment liabilities	74,547	17,876	12,936	5,867	3,503	–	114,729
Unallocated corporate liabilities							20,371
Consolidated total liabilities							135,100

Notes to the Consolidated Financial Statements

For the year ended 31 March 2007

7. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

2006

	Superstructure construction works HK$'000	Foundation piling, substructure works and slope improvement works HK$'000	Special construction projects HK$'000	Interior decoration and landscaping works HK$'000	Corporate and others HK$'000	Eliminations HK$'000	Consolidated HK$'000
OTHER INFORMATION							
Capital additions	24	281	–	419	189	–	913
Depreciation and amortization	465	361	14	179	4,449	–	5,468
Loss on fair value changes of property, plant and equipment	–	–	–	58	–	–	58
Impairment losses on amounts due from contract customers	1,431	199	147	–	102	15	1,894
Loss on disposal of property, plant and equipment	37	41	–	117	–	–	195
Loss on disposal of an associate	–	–	–	–	619	91	710
Gain on fair value changes of investment property	–	–	–	–	(400)	–	(400)
Write back of long outstanding payables	(4,902)	(609)	(131)	(166)	(1,538)	–	(7,346)

Geographical segments

Over 90% of the Group's revenue and assets are derived from customers and operations based in Hong Kong and accordingly, no further analysis of the Group's geographical segments is presented.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2007

8. OTHER INCOME

	2007 HK$'000	2006 HK$'000
Service fee income from:		
– jointly-controlled entities	**40,366**	9,630
– associates	**370**	125
– independent third parties	**765**	269
	41,501	10,024
Interest income on bank deposits	**785**	908
Rental income from investment property	**128**	112
Rental income from machinery held for operating lease purposes	**167**	832
Others	**1,248**	1,418
	43,829	13,294

9. FINANCE COSTS

	2007 HK$'000	2006 HK$'000
Interest on bank borrowings		
wholly repayable within five years	**1,007**	754
not wholly repayable within five years	**–**	68
Effective interest expense on Convertible Note	**–**	68
	1,007	890

No borrowing costs were capitalized during the year ended 31 March 2007 (2006: Nil).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2007

10. INCOME TAX EXPENSE

	2007	2006
	HK$'000	HK$'000
Current tax		
Hong Kong	547	(43)
Deferred tax *(note 30)*	187	412
Tax charge for the year	734	369

Hong Kong Profits Tax is calculated at 17.5% (2006: 17.5%) of the estimated assessable profit for the year.

The tax charge for the year can be reconciled to the profit/(loss) per the consolidated income statement as follows:

	2007	2006
	HK$'000	HK$'000
Profit/(Loss) before tax	11,499	(20,624)
Tax at Hong Kong Profits Tax rate of 17.5% (2006: 17.5%)	2,012	(3,610)
Tax effect of income not taxable for tax purpose	(1,977)	(1,468)
Tax effect of expenses not deductible for tax purpose	1,028	1,804
Utilization of tax losses previously not recognized	(5,011)	(4,480)
Others	4,682	8,123
Tax charge for the year	734	369

Notes to the Consolidated Financial Statements

For the year ended 31 March 2007

11. PROFIT/(LOSS) FOR THE YEAR

Profit/(Loss) for the year has been arrived at after charging/(crediting):

	2007	2006
	HK$'000	HK$'000
Depreciation for property, plant and equipment	**4,888**	5,451
Less: Amounts capitalized in construction contracts	**(3,677)**	(3,663)
	1,211	1,788
Amortization of prepaid lease payments	**17**	17
Total depreciation and amortization	**1,228**	1,805
Auditors' remuneration	**610**	590
Net foreign exchange losses	**81**	195
Loss on disposal of property, plant and equipment	**165**	195
Gain on disposal of subsidiaries	**(3,843)**	–
Loss on disposal of an associate	**–**	710
Loss on disposal of a jointly-controlled entity	**111**	–
Gross rental income from investment property	**(128)**	(112)
Less: Direct operating expenses from investment property that generated rental income during the year	**32**	31
	(96)	(81)

Notes to the Consolidated Financial Statements

For the year ended 31 March 2007

11. PROFIT/(LOSS) FOR THE YEAR *(Continued)*

Profit/(Loss) for the year has been arrived at after charging/(crediting): *(Continued)*

	2007 HK$'000	2006 HK$'000
Loss on fair value changes of property, plant and equipment	11	58
Impairment losses recognized in respect of amounts due from contract customers	989	1,894
Impairment losses reversed in respect of amounts due from contract customers	(2,246)	–
Write back of long outstanding payables	(371)	(7,346)
Minimum lease payments paid under operating leases during the period:		
Leasehold land and buildings	1,115	1,526
Less: Amounts capitalized in construction contracts	(442)	(531)
	673	995
Plant and machinery	3,117	7,362
Less: Amounts capitalized in construction contracts	(3,117)	(7,362)
	–	–
	673	995

Notes to the Consolidated Financial Statements

For the year ended 31 March 2007

11. PROFIT/(LOSS) FOR THE YEAR *(Continued)*

Profit/(Loss) for the year has been arrived at after charging/(crediting): *(Continued)*

	2007 HK$'000	2006 HK$'000
Employee benefits expense		
(including directors' remuneration):		
Wages and salaries	**81,685**	66,984
Contributions to retirement benefits schemes	**3,035**	1,875
	84,720	68,859
Less: Amounts capitalized in construction contracts	**(23,860)**	(40,635)
	60,860	28,224
Cost of services and inventories recognized as an expense	**425,548**	490,730
Gain on fair value changes of an investment property	**(400)**	(400)
Share of tax of associates		
(included in share of results of associates)	**90**	–
Share of tax of a jointly-controlled entity		
(included in share of results of jointly-controlled entities)	**155**	95

Notes to the Consolidated Financial Statements

For the year ended 31 March 2007

12. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the 11 (2006:11) directors were as follows:

For the year ended 31 March 2007

	Fees HK$'000	Salaries and other benefits HK$'000	Contributions to retirement benefits schemes HK$'000	Total HK$'000
Executive directors				
Mr. Ng Tat Leung, George	–	1,435	12	1,447
Mr. Wong Teck Ming	–	1,113	12	1,125
Mr. Chen Jinkui (resigned on 9 November 2006)	–	–	–	–
Mr. Sun Haichao (resigned on 9 November 2006)	–	–	–	–
Mr. Lui Siu Yee, Samuel	–	568	12	580
Mr. Chan Wai Keung, Ivan	–	883	12	895
Mr. Lo Chung Sun, Simon	–	1,062	12	1,074
Non-executive director				
Mr. Wang Xianzhang (resigned on 29 August 2006)	–	–	–	–
Independent non-executive directors				
Mr. Wong Lit Chor, Alexis	80	–	–	80
Mr. Lo Ka Wai	80	–	–	80
Dr. Leung Wai Cheung	80	–	–	80
Total	240	5,061	60	5,361

Notes to the Consolidated Financial Statements

For the year ended 31 March 2007

12. DIRECTORS' EMOLUMENTS *(Continued)*

For the year ended 31 March 2006

	Fees	Salaries and other benefits	Contributions to retirement benefits schemes	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors				
Mr. Ng Tat Leung, George	–	1,570	12	1,582
Mr. Wong Teck Ming	–	1,233	12	1,245
Mr. Chen Jinkui	–	–	–	–
Mr. Sun Haichao	–	–	–	–
Mr. Lui Siu Yee, Samuel	–	730	12	742
Mr. Chan Wai Keung, Ivan	–	883	12	895
Mr. Lo Chung Sun, Simon	–	1,132	12	1,144
Non-executive director				
Mr. Wang Xianzhang	–	–	–	–
Independent non-executive directors				
Mr. Wong Lit Chor, Alexis	80	–	–	80
Mr. Lo Ka Wai	80	–	–	80
Dr. Leung Wai Cheung	80	–	–	80
Total	240	5,548	60	5,848

Notes to the Consolidated Financial Statements

For the year ended 31 March 2007

12. DIRECTORS' EMOLUMENTS *(Continued)*

During both years, no emoluments ware paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments during both years.

The amount of directors' emoluments which is directly attributable to construction activities and capitalized in construction contracts amounted to approximately HK$716,000 (2006: HK$716,000).

The directors' emoluments shown above do not include the estimated monetary value of the Group's owned premises provided rent-free to a director. The estimated rental value of such accommodation was approximately HK$96,000 (2006: HK$96,000) for the year ended 31 March 2007.

13. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, four (2006: three) were directors of the Company whose emoluments are included in the disclosures in note 12 above. The emoluments of the remaining one (2006: two) individual were as follows:

	2007	2006
	HK$'000	HK$'000
Salaries and other benefits	**2,650**	3,044
Contributions to retirement benefits schemes	**5**	24
	2,655	3,068

Notes to the Consolidated Financial Statements

For the year ended 31 March 2007

13. EMPLOYEES' EMOLUMENTS *(Continued)*

Their emoluments were within the following bands:

	Number of individuals	
	2007	2006
HK$1,000,001-HK$1,500,000	**–**	1
HK$1,500,001-HK$2,000,000	**–**	1
HK$2,500,001-HK$3,000,000	**1**	–
	1	2

Compensation to key management personnel

The directors of the Company consider that they are the only key management personnel of the Group and details of their compensation have been set out above.

14. EARNINGS/(LOSS) PER SHARE

The calculation of the basic earnings/(loss) per share attributable to the ordinary equity holders of the Company is based on the following data:

	2007	2006
	HK$'000	HK$'000
Earnings/(Loss)		
Earnings/(Loss) for the purpose of basic earnings per share (profit/(loss) for the year attributable to equity holders of the Company)	**9,519**	(22,336)

Notes to the Consolidated Financial Statements

For the year ended 31 March 2007

14. EARNINGS/(LOSS) PER SHARE *(Continued)*

	2007	2006
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earning per share	**50,184**	35,195

The weighted average number of ordinary shares used in the calculation of earnings per share for the year ended 31 March 2007 has accounted for the issuance of new shares pursuant to the rights issue which was completed in June 2006. The corresponding number of ordinary shares for 2006 has been retrospectively adjusted to reflect the said rights issue.

No diluted earnings per share has been presented because the exercise price of the Company's outstanding warrants was higher than the average market price for shares for the years ended 31 March 2006 and 2007.

15. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of approximately HK$8,011,000 (2006: HK$6,159,000) (note 34).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2007

16. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold buildings HK$'000	Plant and machinery HK$'000	Furniture and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost or valuation					
At 1 April 2005	8,150	13,768	9,398	1,202	32,518
Additions	–	243	203	467	913
Disposals	–	(36)	–	(225)	(261)
Revaluation	1,550	(2,047)	–	(199)	(696)
At 31 March 2006	9,700	11,928	9,601	1,245	32,474
Additions	–	39	46	206	291
Disposals	–	(2)	–	(432)	(434)
Disposal of subsidiaries	–	(469)	(1,045)	(154)	(1,668)
Revaluation	300	(1,580)	–	(195)	(1,475)
At 31 March 2007	10,000	9,916	8,602	670	29,188
Comprising					
At cost	–	–	8,602	–	8,602
At valuation	10,000	9,916	–	670	20,586
	10,000	9,916	8,602	670	29,188
Depreciation and impairment					
At 1 April 2005	–	–	7,742	–	7,742
Provided for the year	178	3,774	735	764	5,451
Eliminated on revaluation	(178)	(3,774)	–	(764)	(4,716)
At 31 March 2006	–	–	8,477	–	8,477
Provided for the year	242	3,763	484	399	4,888
Eliminated on disposal of subsidiaries	–	(48)	(971)	(17)	(1,036)
Eliminated on revaluation	(242)	(3,715)	–	(382)	(4,339)
At 31 March 2007	–	–	7,990	–	7,990
Carrying amounts					
At 31 March 2007	**10,000**	**9,916**	**612**	**670**	**21,198**
At 31 March 2006	9,700	11,928	1,124	1,245	23,997

Notes to the Consolidated Financial Statements

For the year ended 31 March 2007

16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Company

	Furniture and equipment HK$'000
Cost	
At 1 April 2005	2,140
Additions	189
At 31 March 2006	2,329
Additions	44
At 31 March 2007	2,373
Depreciation and impairment	
At 1 April 2005	1,507
Provided for the year	428
At 31 March 2006	1,935
Provided for the year	233
At 31 March 2007	2,168
Carrying amounts	
At 31 March 2007	**205**
At 31 March 2006	394

Notes to the Consolidated Financial Statements

For the year ended 31 March 2007

16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold buildings:	Over the lease terms
Plant and machinery:	10%
Furniture and equipment:	20%
Motor vehicles:	20%

At 31 March 2007, the Group's leasehold buildings were situated in Hong Kong and held under medium-term leases, which were pledged to secure general banking facilities granted to the Group.

The Group's leasehold buildings were revalued on 31 March 2007 at HK$10,000,000 (2006: HK$9,700,000) by AA Property Services Limited, independent qualified professional valuers not connected with the Group. AA Property Services Limited has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation was performed on an open market, vacant possession basis with reference to comparable market transactions. The gain on revaluation of approximately HK$542,000 (2006: HK$1,728,000) was credited to the asset revaluation reserve.

The fair value of the Group's plant and machinery at 31 March 2007 of approximately HK$9,916,000 (2006: HK$11,928,000) was arrived at on the basis of a valuation carried out at that date by AA Property Services Limited, on a fair market value, continued use basis. The gain on revaluation of approximately HK$2,135,000 (2006: HK$1,785,000) was credited to the asset revaluation reserve.

The fair value of the Group's motor vehicles at 31 March 2007 of approximately HK$670,000 (2006: HK$1,245,000) was arrived at on the basis of a valuation carried out at that date by AA Property Services Limited, on a fair market value, continued use basis. The gain on revaluation of approximately HK$198,000 (2006: HK$565,000) was credited to the asset revaluation reserve and a loss on revaluation of approximately HK$11,000 (2006: Nil) was charged to the income statement.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2007

16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The directors believe that the carrying value of furniture and equipment at 31 March 2007 of approximately HK$612,000 (2006: HK$1,124,000) approximates their fair values and, in view of the immateriality of the individual amount involved, a professional valuation has not been carried out on these assets.

Had the Group's property, plant and equipment been measured on a historical cost basis, the carrying amounts of leasehold buildings, plant and machinery, and motor vehicles at 31 March 2007 would have been approximately HK$5,320,000, HK$6,536,000 and HK$362,000, respectively.

17. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments at 31 March 2007 represented leasehold land in Hong Kong held under medium-term leases. The leasehold land was amortized on a straight-line basis over the remaining term of leases.

18. INVESTMENT PROPERTY

	Group
	HK$'000
FAIR VALUE	
At 1 April 2005	4,000
Net increase in fair value	400
At 31 March 2006	4,400
Net increase in fair value	400
At 31 March 2007	**4,800**

18. INVESTMENT PROPERTY *(Continued)*

The fair value of the Group's investment property at 31 March 2007 has been arrived at on the basis of a valuation carried out on that date by AA Property Services Limited, independent qualified professional valuers not connected with the Group. AA Property Services Limited has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation was arrived at by reference to comparable market transactions.

All of the Group's property interests held under operating leases to earn rentals purposes are measured using the fair value model and are classified and accounted for as investment properties.

At 31 March 2007, the Group's investment property was located in Hong Kong and held under medium-term lease, which was pledged to secure general banking facilities granted to the Group.

19. GOODWILL

	Group
	HK$'000
Cost and carrying amounts	
At 1 April 2005 and 31 March 2006	2,308
Eliminated on disposal of a subsidiary	(365)
At 31 March 2007	**1,943**

Notes to the Consolidated Financial Statements

For the year ended 31 March 2007

19. GOODWILL *(Continued)*

Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating units (CGUs) that are expected to benefit from that business combination. The carrying amount of goodwill had been allocated as follows:

	2007	2006
	HK$'000	HK$'000
Landscaping		
– Design Landscapes International (HK) Company Limited (single CGU)	**–**	365
Trading of plastic products		
– Supertact Plastics Company Limited (single CGU)	**1,943**	1,943
	1,943	2,308

Trading of plastic products

The recoverable amount of the trading of plastic products is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by management covering a five-year period, and a discount rate of 5% per annum. Cash flow beyond that five-year period have been extrapolated using a steady 7.5% per annum growth rate, which are determined by management based on past performance and its expectation of market development. Management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of this CGU.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2007

20. INTERESTS IN SUBSIDIARIES

	Company	
	2007	2006
	HK$'000	HK$'000
Unlisted shares, at cost	**53,662**	53,662
Amounts due from subsidiaries	**219,471**	203,855
	273,133	257,517
Less: accumulated impairment	**(115,663)**	(124,855)
	157,470	132,662
Amounts due from subsidiaries classified as current	**(58,580)**	(25,650)
	98,890	107,012

The amounts due from and due to subsidiaries are unsecured, interest-free and have no fixed terms of repayment. The directors consider that the carrying amounts approximate their fair values.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2007

20. INTERESTS IN SUBSIDIARIES *(Continued)*

Particulars of the Company's principal subsidiaries at 31 March 2007 are as follows:

Name of subsidiary	Place of incorporation and operations	Form of business structure	Nominal value of issued share capital	Percentage of equity attributable to the Company	Principal activities
Directly held					
Wing Hing Group (BVI) Limited ("Wing Hing BVI")	British Virgin Islands	Limited liability company	Ordinary HK$320,000	100%	Investment holding
CWS International Trading Limited	British Virgin Islands	Limited liability company	Ordinary US$10	100%	Investment holding
Indirectly held					
W. Hing Construction Company Limited	Hong Kong	Limited liability company	Ordinary HK$102,300,100 Deferred HK$2,380,000 *(note (i))*	100%	Superstructure construction
CWF Piling & Civil Engineering Company Limited	Hong Kong	Limited liability company	Ordinary HK$48,500,000 Deferred HK$1,500,000 *(note (i))*	100%	Foundation piling works

Notes to the Consolidated Financial Statements

For the year ended 31 March 2007

20. INTERESTS IN SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation and operations	Form of business structure	Nominal value of issued share capital	Percentage of equity attributable to the Company	Principal activities
Sunny Engineering Limited	Hong Kong	Limited liability company	Ordinary HK$1,000	100%	Property investment and investment holding
W H China (Holdings) Limited	Hong Kong	Limited liability company	Ordinary HK$2	100%	Investment holding
W H Interior Design and Contracting Company Limited	Hong Kong	Limited liability company	Ordinary HK$2	100%	Interior decoration
JCL Engineering Limited	Hong Kong	Limited liability company	Ordinary HK$10,000	91%	Environmental engineering
CSP (HK) Limited	Hong Kong	Limited liability company	Ordinary HK$10	100%	Investment holding
TCL Piling Specialist Limited	Hong Kong	Limited liability company	Ordinary HK$1,920,002	100%	Foundation piling works
CHEC-CWF Joint Venture	Hong Kong	Unincorporated	–	51%	Foundation piling works
Supertact Plastics Company Limited	Hong Kong	Limited liability company	Ordinary HK$4,000,000	100%	Trading of plastic products

Notes to the Consolidated Financial Statements

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20. INTERESTS IN SUBSIDIARIES *(Continued)*

Notes:

(i) The deferred shares carry no rights to dividends and no rights to receive notice of or to attend or vote at any general meeting of the company. In the winding-up of a company, holders of the deferred shares are entitled to receive amounts paid-up or credited as paid-up on shares after the holders of the ordinary shares of the company have received a total return of HK$1,000,000,000 per share. At 31 March 2007, all these deferred shares were owned by Wing Hing Group (BVI) Limited.

(ii) On 13 July 2006, W. Hing Construction Company Limited ("WH Construction"), a wholly-owned subsidiary of the Company, entered into a conditional subscription agreement dated 13 July 2006 with Design Landscapes International (HK) Company Limited ("Design Landscapes"), pursuant to which WH Construction has agreed to subscribe 42,711 new shares of Design Landscapes for an aggregate cash consideration of HK$93,110. On the same day, Mr Keith Jeferey Dood, an independent third party, entered into another conditional subscription agreement dated 13 July 2006 with Design Landscapes, pursuant to which Mr Keith has agreed to subscribe 67,511 new shares of Design Landscapes for an aggregate cash consideration of HK$147,174.

Upon completion of the aforesaid subscription agreements, the interest of WH Construction in Design Landscapes was reduced from 51% to approximately 50%. Accordingly, the results of Design Landscapes were consolidated up to August 2006 and accounted for as an associate of the Group thereafter. Details of the assets and liabilities of Design Landscapes as of the date of the dilution of interest in Design Landscapes are set out in note 35(ii) to the financial statements.

(iii) On 18 October 2006, Wing Hing BVI, 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 BVI 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. Details of the assets and liabilities of Anpoint as of the date of the disposal are set out in note 35(ii) to the financial statements.

(iv) The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2007

21. INTERESTS IN ASSOCIATES

	Group	
	2007	2006
	HK$'000	HK$'000
Cost of investments in associates		
Unlisted	**4,787**	858
Share of post-acquisition results, net of dividends received	**(3,913)**	(416)
	874	442
Amounts due from associates	**31,243**	18,862
	32,117	19,304
Amounts due from associates classified as current	**(11,078)**	(1,600)
	21,039	17,704

Notes to the Consolidated Financial Statements

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21. INTERESTS IN ASSOCIATES *(Continued)*

Particulars of the Group's principal associates at 31 March 2007 are as follows:

Name	**Form of business structure**	**Place of incorporation and operations**	**Percentage of equity interest attributable to the Group**	**Principal activities**
Design Landscapes International (HK) Company Limited *(note 20(ii))*	Limited liability company	Hong Kong	50%	Provision of landscaping services
Design Landscapes International (Group) Company Limited	Limited liability company	Hong Kong	50%	Provision of landscaping services
King Fine Development Limited	Limited liability company	Hong Kong	35%	Property development
Powerluck Properties Limited	Limited liability company	British Virgin Islands	35%	Property development
Hypsos Leisure Asia Limited	Limited liability company	Hong Kong	42.5%	Exhibition project management

The above table lists the associates of the Group which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

Notes to the Consolidated Financial Statements

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21. INTERESTS IN ASSOCIATES *(Continued)*

The summarized financial information in respect of the Group's associates is set out below:

	2007	2006
	HK$'000	HK$'000
Total assets	**196,507**	79,714
Total liabilities	**196,326**	78,760
Revenue	**71,110**	721
Loss for the year	**8,945**	980

22. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	Group	
	2007	2006
	HK$'000	HK$'000
Cost of investments in jointly-controlled entities		
Unlisted	**34,639**	39,924
Share of post-acquisition results, net of dividends received	**(25,330)**	(2,303)
	9,309	37,621

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22. INTERESTS IN JOINTLY-CONTROLLED ENTITIES *(Continued)*

Particulars of the Group's principal jointly-controlled entities at 31 March 2007 are as follows:

Name	Form of business structure	Place of incorporation/ registration and operations	Voting power controlled by the Group	Percentage of equity interest and profit sharing attributable to the Group	Principal activities
Costain-China Harbour Joint Venture	Unincorporated	Hong Kong	33-1/3%	40%	Foundation piling works
CHEC-CWF Limited	Limited liability company	Hong Kong	30%	30%	Highway maintenance
China Harbour-Transfield Joint Venture	Unincorporated	Hong Kong	25%	15.3%	Drainage improvement
MLL-CWF Joint Venture	Unincorporated	Hong Kong	50%	40%	Foundation piling works
China Harbour-CWF Joint Venture	Unincorporated	Hong Kong	50%	49%	Foundation piling works
Veolia Water (Zhuhai) Wastewater Treatment Company Limited	Sino-foreign co-operative joint venture	The People's Republic of China (the "PRC")	50%	40%	Provision of wastewater treatment service
Veolia Water (Zhuhai) Wastewater Treatment Operations Company Limited	Sino-foreign co-operative joint venture	PRC	20%	39%	Provision of wastewater treatment management service

22. INTERESTS IN JOINTLY-CONTROLLED ENTITIES *(Continued)*

The above table lists the jointly-controlled entities of the Group which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other jointly-controlled entities would, in the opinion of the directors, result in particulars of excessive length.

The summarized financial information in respect of the Group's jointly-controlled entities is set out below:

	2007	2006
	HK$'000	HK$'000
Total assets	**378,923**	365,215
Total liabilities	**365,967**	261,489
Revenue	**412,994**	248,398
(Loss)/Profit for the year	**(68,134)**	13,694

23. AVAILABLE-FOR-SALE INVESTMENT

	Group	
	2007	2006
	HK$'000	HK$'000
Unlisted equity securities, at cost	**1**	1

Notes to the Consolidated Financial Statements

For the year ended 31 March 2007

23. AVAILABLE-FOR-SALE INVESTMENT *(Continued)*

Notes:

(i) The Group holds 8% of the issued share capital of Wealthy Star Development Limited, a limited liability company incorporated in Hong Kong which is engaged in property development. The Group's investment in Wealthy Star Development Limited is measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that the fair value cannot be measured reliably.

(ii) The amount due from an investee entity, Wealthy Star Development Limited, at 31 March 2007 of approximately HK$16,604,000 (2006: HK$13,164,000) is unsecured, interest-free and has no fixed terms of repayment. The directors consider that the carrying amount approximates its fair value.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2007

24. ACCOUNTS RECEIVABLE

	Group	
	2007	2006
	HK$'000	HK$'000
Accounts receivable, with aged analysis		
0-90 days	**45,153**	55,673
91-180 days	**276**	743
181-365 days	**70**	651
Over 365 days	**29,715**	34,783
	75,214	91,850
Less: accumulated impairment	**(27,333)**	(28,712)
	47,881	63,138
Contract retention receivables		
Retentions held by contract customers	**33,606**	45,319
Less: accumulated impairment	**(9,859)**	(12,549)
	23,747	32,770
Less: contract retention receivables classified as non-current assets	**(2,154)**	(3,963)
Retentions held by contract customers included in accounts receivable under current assets	**21,593**	28,807
Amounts due from contract customers	**25,883**	22,608
Total accounts receivable as shown under current assets	**95,357**	114,553

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For the year ended 31 March 2007

24. ACCOUNTS RECEIVABLE *(Continued)*

The Group's credit terms for its contracting business are negotiated with contract customers. Accounts receivable of a non-retention nature are generally due within 30 days of certification by independent architects as to the value of the contract works performed and claimed by the Group in its interim applications for progress payment.

Retentions are due on the expiration of contract maintenance/defects liability period, which is determined in accordance with relevant contract terms and generally stipulated as 181 days to 365 days from the date of practical completion of the contract works.

Included in accounts receivable are amounts due from contract customers which represent the excess of contract costs incurred to date by the Group plus recognized profits, less recognized losses and progress billings raised by the Group for respective contracts at the balance sheet date:

	2007	2006
	HK$'000	HK$'000
Contract costs incurred plus recognized profits less recognized losses to date	**844,087**	416,749
Less: progress billings	**(818,204)**	(394,141)
Amounts due from contract customers	**25,883**	22,608

Included in the Group's accounts receivable at 31 March 2007 is amounts due from associates and a jointly-controlled entity of the Group amounted to approximately HK$6,087,000 (2006: HK$3,423,000) and HK$1,163,000 (2006: HK$5,363,000) respectively, which are unsecured, interest-free and payable on similar credit terms to those offered to other major customers of the Group. The receivables arose from the undertaking of construction contract works during the year.

The directors consider that the carrying amounts of the Group's accounts receivable approximate their fair values.

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25. OTHER RECEIVABLES

	Group	
	2007	2006
	HK$'000	HK$'000
Prepayments, deposits and other receivables	**2,794**	2,320
Amounts due from jointly-controlled entities	**8,652**	5,171
Amounts due from associates	**11,078**	1,600
Amounts due from minority shareholders	**4,463**	4,607
	26,987	13,698

The amounts due from jointly-controlled entities, associates and minority shareholders are unsecured, interest-free and have no fixed terms of repayment.

The directors consider that the carrying amounts of the Group's other receivables approximate their fair values.

26. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

The pledged bank deposits at 31 March 2007 were mainly denominated in Hong Kong dollars and United States dollars and carried interest at prevailing market rate.

The directors consider that the carrying amounts of the Group's pledged bank deposits and bank balances and cash approximate their fair values.

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27. ACCOUNTS PAYABLE

	Group	
	2007	2006
	HK$'000	HK$'000
Accounts payable, with aged analysis		
0-90 days	**32,515**	36,806
91-180 days	**3,646**	5,596
181-365 days	**4,746**	8,050
Over 365 days	**20,820**	24,450
	61,727	74,902
Amounts due to contract customers	**11,856**	26,019
Total accounts payable as shown under current liabilities	**73,583**	100,921

Included in accounts payable are amounts due to contract customers which represent the excess of progress billings raised by the Group for the respective contracts over the contract costs incurred to date by the Group plus recognized profits less recognized losses at the balance sheet date:

	2007	2006
	HK$'000	HK$'000
Contract costs incurred plus recognized profits less recognized losses to date	**308,331**	430,520
Less: progress billings	**(320,187)**	(456,539)
Amounts due to contract customers	**(11,856)**	(26,019)

The directors consider that the carrying amounts of the Group's accounts payable approximate their fair values.

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For the year ended 31 March 2007

28. OTHER PAYABLES

	Group	
	2007	2006
	HK$'000	HK$'000
Other payables and accruals	**4,278**	4,957
Amounts due to jointly-controlled entities	**2,592**	7,808
Amounts due to minority shareholders	**1,041**	1,043
	7,911	13,808

The amounts due to jointly-controlled entities and minority shareholders are unsecured, interest-free and have no fixed terms of repayment.

The directors consider that the carrying amounts of the Group's other payables approximate their fair values.

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For the year ended 31 March 2007

29. BANK BORROWINGS, SECURED

	Group	
	2007	2006
	HK$'000	HK$'000
Mortgage loan	**3,504**	4,305
Term loan	**–**	1,620
Trust receipt loans	**–**	13,116
Bank overdrafts	**–**	64
	3,504	19,105
Carrying amount repayable:		
On demand or within one year	**846**	15,602
More than one year, but not exceeding two years	**848**	801
More than two years, but not more than five years	**1,810**	2,405
More than five years	**–**	297
	3,504	19,105
Less: Amounts due within one year shown under current liabilities	**(846)**	(15,602)
	2,658	3,503

The mortgage loan at 31 March 2007 is denominated in Hong Kong dollars and its weighted average effective interest rate is 6.41% per annum.

29. BANK BORROWINGS, SECURED *(Continued)*

At 31 March 2006, all bank borrowings were denominated in Hong Kong dollars. The weighted average effective interest rate on mortgage loan and term loan were 6.25% per annum and 8.07% per annum, respectively. The trust receipt loans and bank overdrafts carried interest at the prevailing market rates.

At 31 March 2006 and 2007, the Group's bank borrowings and banking facilities were supported by the following:

(i) legal charges over the Group's leasehold land and buildings situated in Hong Kong, with carrying value of approximately HK$10,675,000 (2006: HK$10,392,000);

(ii) legal charges over the Group's investment property situated in Hong Kong, with carrying value of approximately HK$4,800,000 (2006: HK$4,400,000);

(iii) pledged deposits of approximately HK$16,675,000 (2006: HK$20,944,000) of the Group;

(iv) corporate guarantees to the extent of approximately HK$42.8 million (2006: HK$52.1 million) in aggregate executed by the Company in respect of banking facilities granted to certain subsidiaries of the Company; and

(v) cross guarantees amongst certain subsidiaries of the Company.

The directors consider that the carrying amounts of the Group's bank borrowings approximate their fair values.

In the opinion of the directors, no material liabilities will arise from the above corporate guarantees which arose in the ordinary course of business and the fair value of the corporate guarantees granted by the Company is immaterial.

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30. DEFERRED TAX

The following are the major deferred tax balances recognized and movements thereon during the current and prior year:

Deferred tax liabilities

	Accelerated tax depreciation	**Revaluation of assets**	**Total**
	HK$'000	HK$'000	HK$'000
At 1 April 2005	252	1,551	1,803
Credit to consolidated income statement for the year *(note 10)*	(392)	–	(392)
Charge to equity for the year	–	221	221
At 31 March 2006	(140)	1,772	1,632
Charge to consolidated income statement for the year *(note 10)*	140	–	140
Charge to equity for the year	–	1,040	1,040
At 31 March 2007	**–**	**2,812**	**2,812**

30. DEFERRED TAX *(Continued)*

Deferred tax assets

	Tax losses	Decelerated tax depreciation	Revaluation of assets	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2005	1,815	–	124	1,939
Charge to consolidated income statement for the year *(note 10)*	(804)	–	–	(804)
At 31 March 2006	1,011	–	124	1,135
Credit/(charge) to consolidated income statement for the year *(note 10)*	(403)	356	–	(47)
At 31 March 2007	**608**	**356**	**124**	**1,088**

For the purpose of balance sheet presentation, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2007	2006
	HK$'000	HK$'000
Deferred tax liabilities	**1,828**	609
Deferred tax assets	**(104)**	(112)
	1,724	497

At the balance sheet date, the Group has unused tax losses of HK$40,091,000 (2006: $124,624,000) available for offset against future profits. A deferred tax asset has been recognized in respect of approximately HK$3,474,000 (2006: HK$7,639,000) of such losses. No deferred tax asset has been recognized in respect of the remaining HK$36,617,000 (2006: $116,985,000) due to the unpredictability of future profit streams. All unused tax losses may be carried forward indefinitely.

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31. CONVERTIBLE NOTE

On 12 May 2004, the Company entered into a conditional subscription agreement (the "Note Subscription Agreement") with Grand Legend Limited (the "Subscriber") and Mr. Lo Chun Yang in respect of the subscription of a convertible note (the "Convertible Note") with an aggregate principal amount of HK$11,500,000. The Convertible Note was interest bearing at the rate of 1% per annum on the outstanding principal amount of the Convertible Note from its date of issue to the maturity date, which was eighteen calendar months after its date of issue (the "Maturity Date"). The Convertible Note may be converted at the option of the Subscriber at a conversion price of HK$0.20 per ordinary share at any time after its date of issue and up to the Maturity Date. Completion of the Note Subscription Agreement took place in June 2004.

During the year ended 31 March 2006, the Convertible Note was converted in full by the Subscriber at a conversion price of HK$0.20 per share and accordingly, 57,500,000 new shares of HK$0.10 each in the capital of the Company were issued to the Subscriber. All shares issued upon conversion ranked pari passu in all respects with the then existing shares of the Company.

The Convertible Note contained two components, liability and equity element. The equity element is presented in equity heading "Convertible loan note equity reserve". The effective interest rate of the liability component was 5.13% per annum.

	Group and Company	
	2007	2006
	HK$'000	HK$'000
Liability component at date of issue/beginning of the year	**–**	11,218
Interest charged *(note 9)*	**–**	68
Interest paid	**–**	(14)
Conversion of Convertible Note	**–**	(11,272)
Liability component at end of the year	**–**	–

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32. SHARE CAPITAL

	Notes	Number of shares	Share capital
			HK$'000
Authorized			
At 1 April 2005 and 2006			
Ordinary shares of HK$0.1 each		1,000,000,000	100,000
Share consolidation	*(b)*	(900,000,000)	–
At 31 March 2007			
Ordinary shares of HK$1 each		**100,000,000**	**100,000**
Issued and fully paid			
At 1 April 2005			
Ordinary shares of HK$0.1 each		287,500,000	28,750
Issue of shares upon conversion of Convertible Note *(note 31)*		57,500,000	5,750
Issue of shares for acquisition of additional interest in a subsidiary *(note 35(i))*	*(a)*	17,000,000	1,700
At 31 March 2006 and 1 April 2006			
Ordinary shares of HK$0.1 each		362,000,000	36,200
Share consolidation	*(b)*	(325,800,000)	–
Rights issue	*(c)*	18,100,000	18,100
At 31 March 2007			
Ordinary shares of HK$1 each		**54,300,000**	**54,300**

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32. SHARE CAPITAL *(Continued)*

Notes:

(a) On 30 August 2005, the Company issued 5,000,000 unlisted warrants to Complete Success Limited at a warrant issue price of HK$0.20 per warrant as part of the purchase consideration for acquisition of additional interest in a subsidiary (note 35(i)). The warrants were issued to Complete Success Limited in registered form and constituted by a warrant instrument, and rank pari passu in all respects among themselves. Each warrant carries the right to subscribe for one share of HK$1.00 each in the capital of the Company at an adjusted subscription price of HK$2.64 per share. The exercise in full of the outstanding warrants would, with the capital structure of the Company at 31 March 2007, result in the issue of additional 5,681,818 shares of HK$1.00 each in the capital of the Company.

(b) Pursuant to the resolutions passed by the Company's shareholders at the special general meeting of the Company held on 22 May 2006, every 10 existing ordinary shares of HK$0.10 each in the issued and unissued share capital of the Company were consolidated into one consolidated share of HK$1.00 ("Consolidated Share").

(c) In June 2006, the Company completed a rights issue by issuing 18,100,000 shares of HK$1.00 each at the subscription price of HK$1.00 per share.

33. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives or rewards to eligible participants for their contribution to the Group and/or to enable the Group to recruit and retain high-caliber employees and attract human resources that are valuable to the Group and any entity in which the Group holds an equity interest (the "Invested Entity"). Eligible participants of the Scheme include the directors and employees of the Company, its subsidiaries or any Invested Entity, suppliers and customers of the Group or any Invested Entity, any technical, financial and legal professional advisers engaged by the Group or any Invested Entity, and any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity. The Scheme became effective on 28 August 2002 and unless otherwise terminated or amended, will remain in force for 10 years from that date.

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For the year ended 31 March 2007

33. SHARE OPTION SCHEME *(Continued)*

The maximum number of shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the Scheme and any other share option schemes of the Company must not exceed 30% of the total number of shares in issue from time to time. The total number of shares which may be issued upon exercise of all share options to be granted under the Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the total number of shares in issue on 28 August 2002. Share options which lapse in accordance with the terms of the Scheme or any other share option schemes of the Company will not be counted for the purpose of calculating the 10% limit. The Company may seek approval of the shareholders in a general meeting for refreshing the 10% limit under the Scheme, save that the total number of shares which may be issued upon exercise of all share options to be granted under the Scheme and any other share option schemes of the Company under the limit as refreshed shall not exceed 10% of the total number of shares in issue as at the date of approval of the limit as refreshed. Share options previously granted under the Scheme or any other share option schemes of the Company (including share options outstanding, cancelled, lapsed or exercised in accordance with the terms of the Scheme or any other share option schemes of the Company) will not be counted for the purpose of calculating the limit as refreshed. The total number of shares issued and to be issued upon exercise of the share options granted to each eligible participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares in issue.

Each grant of the share options to a director, chief executive or substantial shareholder of the Company, or to any of their associates, under the Scheme must comply with the requirements of Rule 17.04 of the Listing Rules and must be subject to approval by independent non-executive directors to whom share options have not been granted. In addition, any grant of share options to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, which would result in the shares issued and to be issued upon exercise of all share options already granted and to be granted (including share options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant in excess of 0.1% of the shares of the Company in issue and with an aggregate value (based on the closing price of the Company's shares at the date of each grant) in excess of HK$5 million, are subject to prior shareholders' approval in a general meeting.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2007

33. SHARE OPTION SCHEME *(Continued)*

The offer of a grant of share options shall be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, save that such period shall not be more than 10 years from the date of the offer of the share options, subject to the provisions for early termination set out in the Scheme. There is no minimum period for which an option must be held before the exercise of the subscription right attaching thereto, except as otherwise imposed by the board of directors.

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

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

The Company has not granted any share options during the year ended 31 March 2007 (2006: Nil). At 31 March 2007, there were no outstanding share options.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2007

34. RESERVES

Company

	Share premium	Contributed surplus	Warrant reserve	Convertible loan note equity reserve	Retained profits/ (Accumulated losses)	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2005	166,405	51,562	–	672	(139,205)	79,434
Profit for the year	–	–	–	–	6,159	6,159
Issue of shares upon conversion of Convertible Note	6,194	–	–	(672)	–	5,522
Acquisition of additional interest in a subsidiary						
– Issue of Consideration Shares	1,700	–	–	–	–	1,700
– Issue of warrants	–	–	1,000	–	–	1,000
Capital Reduction	(138,808)	–	–	–	138,808	–
At 31 March 2006	35,491	51,562	1,000	–	5,762	93,815
Profit for the year	–	–	–	–	8,011	8,011
At 31 March 2007	**35,491**	**51,562**	**1,000**	**–**	**13,773**	**101,826**

Notes to the Consolidated Financial Statements

For the year ended 31 March 2007

34. RESERVES *(Continued)*

The contributed surplus of the Company arose as a result of the Group reorganization scheme and represents the excess of the then combined net assets of the subsidiaries acquired, over the nominal value of the Company's shares issued in exchange therefor. In accordance with the laws of Bermuda, the contributed surplus is distributable in certain circumstances.

On 27 June 2005, the Company announced that it proposed to effect a capital reduction by eliminating approximately HK$138,808,000 standing to the credit of the Company's share premium account (the "Capital Reduction"). The credit arising from the Capital Reduction would be applied to set off against the accumulated losses of the Company at 31 March 2005. The Capital Reduction was approved by the shareholders of the Company at a special general meeting held on 25 August 2005 and became effective on the same date.

35. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(i) Acquisition of additional interest in a subsidiary for the year ended 31 March 2006

On 27 June 2005, the Company announced that Wing Hing Group (BVI) Limited ("Wing Hing BVI"), a wholly-owned subsidiary of the Company, had entered into an acquisition agreement dated 21 June 2005 (the "Acquisition Agreement") with Complete Success Limited. Pursuant to the Acquisition Agreement, Wing Hing BVI agreed to acquire from Complete Success Limited four shares of HK$1.00 each in the capital of CSP (HK) Limited ("CSP"), representing 40% of the entire issued share capital of CSP, and the shareholder's loan of HK$14,063,184.68 owed by CSP to Complete Success Limited, at an aggregate consideration of HK$14,063,188.68.

Prior to the entering into of the Acquisition Agreement, CSP was owned as to 60% and 40% by Wing Hing BVI and Complete Success Limited, respectively. Complete Success Limited, being a substantial shareholder of CSP, was a connected person of the Company and the transaction constituted a discloseable and connected transaction on the part of the Company under the Listing Rules. The resolutions in respect of the transaction were duly passed by the Company's shareholders at the special general meeting of the Company held on 25 August 2005.

35. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(i) Acquisition of additional interest in a subsidiary for the year ended 31 March 2006 *(Continued)*

The aggregate consideration has been satisfied as to:

(a) HK$3,400,000 by Wing Hing BVI procuring the Company to allot and issue 17,000,000 new shares of HK$0.10 each in the capital of the Company ("Consideration Shares") to Complete Success Limited, credited as fully paid, at a price of HK$0.20 per Consideration Share;

(b) HK$1,000,000 by Wing Hing BVI procuring the Company to issue 50,000,000 unlisted warrants of the Company to Complete Success at a warrant issue price of HK$0.02 per warrant;

(c) HK$4,946,207.55 by Wing Hing BVI paying in cash to Complete Success; and

(d) HK$4,716,981.13 by Wing Hing BVI paying in cash to Veolia Water (Zhuhai) Wastewater Treatment Company Limited ("Veolia Water (Zhuhai)" – a jointly-controlled entity of the Group) to settle the loan of HK$4,716,981 owed by Complete Success Limited to Veolia Water (Zhuhai).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2007

35. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(i) Acquisition of additional interest in a subsidiary for the year ended 31 March 2006 *(Continued)*

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of additional equity interest in CSP is as follows:

	2006
	HK$'000
Total consideration satisfied by:	
Issue of Consideration Shares (a)	3,400
Issue of warrants (b)	1,000
Total non-cash consideration	4,400
Cash consideration (c)	4,946
Cash consideration (d)	4,717
Net outflow of cash and cash equivalents in respect of the acquisition of additional interest in CSP	9,663
Total consideration	14,063

In the opinion of the directors, the net fair value of assets, liabilities and contingent liabilities of CSP as at the date of the aforesaid acquisition was insignificant.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2007

35. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(ii) Disposal of subsidiaries

	2007	2006
	HK$'000	HK$'000
Net assets/(liabilities) disposed of:		
Property, plant and equipment	**632**	–
Accounts receivable	**16,026**	–
Other receivables	**219**	–
Bank balances and cash	**13,916**	–
Accounts payable	**(16,337)**	–
Other payables and accruals	**(201)**	–
Amounts due to associates	**(10,009)**	–
Amounts due to minority shareholders	**(2)**	–
Tax liabilities	**(1,156)**	–
Minority interests	**(3,382)**	–
	(294)	–
Attributable goodwill	**365**	–
Release of assets revaluation reserves	**(78)**	–
	(7)	–
Gain on disposal of subsidiaries	**3,843**	–
	3,836	–
Satisfied by:		
Interest in associates	**3,929**	–
Cash consideration paid for acquisition of new shares of an associate *(note 20(ii))*	**(93)**	–
	3,836	–

Notes to the Consolidated Financial Statements

For the year ended 31 March 2007

35. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(ii) Disposal of subsidiaries *(Continued)*

Net cash outflow arising on disposal:

	2007	2006
	HK$'000	HK$'000
Cash consideration paid for acquisition of new shares of an associate	**93**	–
Bank balances and cash disposed of	**13,916**	–
	14,009	–

36. OPERATING LEASES

The Group as lessee

At balance sheet date, the Group and the Company had commitments for future minimum lease payments under non-cancelable operating leases which fall due as follows:

	2007	2006
	HK$'000	HK$'000
Within one year	**28**	391

36. OPERATING LEASES *(Continued)*

The Group as lessor

At balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	2007	2006
	HK$'000	HK$'000
Within one year	–	9

37. CONTINGENT LIABILITIES

(i) At 31 March 2007, the Group had executed guarantees in respect of performance bonds in favor of contract customers of approximately HK$54,138,000 (2006: HK$22,125,000). In addition, at 31 March 2007, the Company had executed guarantees in favor of contract customers in respect of the performance of obligation under contracts by a jointly-controlled entity, China-Harbour-CWF Joint Venture, with original contract sum of approximately HK$84,938,000 (2006: HK$85,392,000). China Harbour-CWF Joint Venture is jointly-controlled by China Harbour Engineering Company Limited, an independent third party, and CWF Piling & Civil Engineering Co., Ltd., a wholly-owned subsidiary of the Company.

At 31 March 2007, the Company had executed guarantees for approximately HK$36,000,000 and HK$44,100,000 in respect of the general banking facilities granted to CHEC-CWF Limited (a jointly-controlled entity in which the Group has 30% equity interests) and King Fine Development Limited (an associate in which the Group has 35% equity interests), respectively.

At 31 March 2007, the Company had executed guarantees for approximately HK$73,760,000 in respect of the general banking facilities granted to Wealthy Star Development Limited (an investee entity in which the Group has 8% equity interest).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2007

37. CONTINGENT LIABILITIES *(Continued)*

(ii) At 31 March 2007, certain subsidiaries of the Company had provided undertakings of financial support to certain of the Group's jointly-controlled entities in proportion to their equity interests in these entities, in order that these entities could meet their obligations and liabilities as and when they fall due. The Group's share of the net deficiency in assets of these jointly-controlled entities at 31 March 2007 in the amount of approximately HK$14,372,000 (2006: HK$590,000) has already been accounted for in presenting these financial statements.

(iii) 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 in these financial statements.

(iv) The Group has a contingent liability in respect of possible future long service payments to employees under the Hong Kong Employment Ordinance, with a maximum possible amount of HK$2.4 million at 31 March 2007. The contingent liability has arisen because, at the balance sheet date, a number of current employees have achieved the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance if their employment is terminated under certain circumstances. A provision has not been recognized in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2007

37. CONTINGENT LIABILITIES *(Continued)*

(v) 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.

(vi) 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 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.

38. RETIREMENT BENEFIT PLANS

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the scheme, which contribution is matched by employees. During the year under review, the total amount contributed by the Group to the scheme and charged to the consolidated income statement amounted to approximately HK$3,035,000 (2006: HK$1,875,000). At 31 March 2007, there were no forfeited contributions available for the Group to offset contributions payable in future years (2006: Nil).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2007

39. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these financial statements, during the year, the Group entered into the following significant related party transactions:

	Notes	**2007** **HK$'000**	2006 HK$'000
Service fee income from jointly-controlled entities	*(i)*	**(40,366)**	(9,630)
Service fee income from associates	*(i)*	**(371)**	(125)
Sales of materials to a jointly-controlled entity	*(ii)*	**(12,123)**	(12,406)
Purchases of finished goods from a jointly-controlled entity	*(ii)*	**18,473**	18,505
Subcontracting fee paid to a jointly-controlled entity	*(iii)*	**–**	6,849
Contract sum received and receivable from jointly-controlled entities	*(iv)*	**(304)**	(3,473)
Contract sum received and receivable from an associate	*(iv)*	**(685)**	–

Notes to the Consolidated Financial Statements

For the year ended 31 March 2007

39. RELATED PARTY TRANSACTIONS *(Continued)*

Notes:

(i) The service fee income was charged in relation to the provision of management and consultancy services and labors in respect of the undertaking of construction works. The service charge was made on a cost recovery basis.

(ii) The directors consider that the sales of materials and purchases of finished goods were made in accordance with terms mutually agreed between the parties.

(iii) The directors consider that the subcontracting fee was paid in accordance with terms mutually agreed between the parties.

(iv) The contract sum was received for construction contracts subcontracted to the Group. The directors consider that these contract fees were charged in accordance with terms mutually agreed between the parties.

40. SUBSEQUENT EVENTS

Issue of convertible note

On 7 May 2007, the Company entered into a conditional subscription agreement (the "Note Subscription Agreement") with Best Time International Limited in respect of the subscription of convertible note (the "Note") with an aggregate principal amount of HK$15,000,000. The Note is interest-bearing at the rate of 1% per annum on the outstanding principal amount of the Note from its date of issue to the maturity date which is the second anniversary from the date of issue of the Note (the "Maturity Date"). The Note may be converted at the option of the Subscriber at a conversion price of HK$1.50 per ordinary share at any time after the date of issue of the Note and up to the Maturity Date.

Particulars of Investment Property

31 March 2007

INVESTMENT PROPERTY

Location	Interest in property attributable to the Group	Type of lease	Existing use
3rd Floor, Lee Chau Commercial Building No.11 Hart Avenue Tsim Sha Tsui, Kowloon	100%	Medium term lease	Commercial building held for rental purpose

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