# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 September 2005*

1. BASIS OF PREPARATION

The unaudited condensed interim financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure requirements set out in Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

These unaudited condensed consolidated interim financial statements should be read in conjunction with the 2005 annual financial statements.

The accounting policies and methods of computation used in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those used in the annual financial statements for the year ended 31 March 2005 except in relation to the following new/ revised Hong Kong Financial Reporting Standards ("HKFRSs") (which include all HKASs, Interpretation issued by the Standing Interpretations Committee of IASB ("HK(SIC)-Ints") and Interpretations issued by the HKICPA ("HK-Ints") which are generally effective for accounting periods beginning on or after 1 January 2005.

These interim financial statements have been prepared in accordance with the HKFRS issued and effective as at the time of preparing these statements. The HKFRS and interpretations that will be applicable at 31 March 2006, including those that will be applicable on an optional basis, are not known with certainty at the time of preparing these interim financial statements.

The changes to the Group's accounting policies and the effect of adopting these new policies are set out in note 2 below.

Included in the accounts receivables balance under current assets in the consolidated balance sheet as at 30 September 2005, are accounts receivables, recorded based on architects certificates, of approximately HK$120.5 million (the "Receivable Under Dispute") being currently withheld by one major customer of the Group (the "Customer") with respect to dispute with the aforesaid customer (the "Kowloon Tong Customer") on claims arising from liquidated damages and alleged environmental related damages in relation to main contract works for a residential development project carried out in Kowloon Tong, Hong Kong, and the counter claiming of extension of time (the "EOT Claim") entitlement by the Group. The Receivable Under Dispute was certified by the architects of the respective residential development project.

1. BASIS OF PREPARATION (Continued)

As a result of the withholding of settlement of accounts receivable by the Customer, the working capital of the Group has been affected. In order to maintain the working capital of the Group, a major shareholder of the Company has agreed to provide continual financial support to the Group in the form of shareholder's loan, of which approximately HK$43.0 million of the loan had been made to the Group as at 30 September 2005.

In the opinion of the directors, in light of the continual financial support from the major shareholder, together with the anticipated settlement of the accounts receivable being withheld by the Customer, the Group would have sufficient financial resources to satisfy its working capital needs for the foreseeable future. Accordingly, the directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

2. CHANGE IN ACCOUNTING POLICIES

The Group has adopted the following new/revised HKFRSs and HKASs issued up to 30 September 2005 which are pertinent to its operations and have resulted in changes to the Group's accounting policies. The 2005 comparatives have been restated as required, in accordance with the relevant requirements.

| | |
|---|---|
| HKAS 1 | Presentation of financial statements |
| HKAS 2 | Inventories |
| HKAS 7 | Cash flow statements |
| HKAS 8 | Accounting policies, changes in accounting estimates and errors |
| HKAS 10 | Events after the balance sheet date |
| HKAS 11 | Construction contracts |
| HKAS 12 | Income taxes |
| HKAS 14 | Segment reporting |
| HKAS 16 | Property, plant and equipment |
| HKAS 17 | Leases |
| HKAS 18 | Revenue |
| HKAS 19 | Employee benefits |
| HKAS 21 | The effect of changes in foreign exchange rates |
| HKAS 23 | Borrowing costs |
| HKAS 24 | Related party disclosures |
| HKAS 27 | Consolidated and separate financial statements |
| HKAS 28 | Investments in associates |
| HKAS 31 | Investments in joint ventures |
| HKAS 32 | Financial instruments: disclosures and presentation |
| HKAS 33 | Earnings per share |
| HKAS 34 | Interim financial reporting |
| HKAS 36 | Impairment of assets |
| HKAS 37 | Provisions, contingent liabilities and contingent assets |
| HKAS 38 | Intangible assets |
| HKAS 39 | Financial instruments: recognition and measurement |
| HKAS 40 | Investment property |
| HK(SIC) – INT 15 | Operating leases – incentives |
| HK(SIC) – INT 21 | Income taxes – recovery of revalued non-depreciable assets |
| HK(SIC) – INT 27 | Evaluating the substance of transaction involving the legal forms of a lease |

2. CHANGE IN ACCOUNTING POLICIES (Continued)

| | |
|---|---|
| HK – INT 2 | The appropriate accounting policies for hotel properties |
| HK – INT 3 | Revenue – pre-completion contracts for the sale of development properties |
| HK – INT 4 | Leases – determination of the length of lease term in respect of Hong Kong land leases |
| HKFRS 2 | Share-based payments |
| HKFRS 3 | Business combinations |

Effect of adopting new/revised HKFRSs

(i) The adoption of new/revised HKASs 1, 2, 7, 8, 10, 11, 12, 14, 16, 18, 19, 21, 23, 24, 27, 28, 33, 34, 37, HK(SIC)-Ints 15, 27 and HK-Ints 2, 3, 4 did not result in substantial changes to the Group's accounting policies. In summary:

- HKAS 1 has affected the presentation of minority interests, share of net after-tax results of associates and other disclosures. In the consolidated balance sheet, minority interests are now shown within total equity. In the consolidated income statement, minority interests are presented as an allocation of the total profit or loss for the period.

- HKASs 2, 7, 8, 10, 11, 12, 14, 16, 18, 19, 21, 23, 24, 27, 28, 33, 34, 37, HK(SIC)-Ints 15, 27 and HK-Ints 2, 3, 4 had no material effect on the Group's policies.

(ii) The adoption of HKAS 40 has resulted in a change in accounting policy for the Group's investment properties. In prior years, increases in the valuation of investment property were credited to the investment property revaluation reserve while decreases in the valuation of investment property were firstly set off against the surplus of the investment property revaluation reserve and thereafter charged to the profit and loss account. Following the adoption of HKAS 40, all changes in valuation of the investment property are to be recognised in the profit and loss account.

The Group has taken advantage of the transitional provisions of HKAS 40 to adjust the effect of adopting the standard to the opening balance of retained earnings rather than restating the comparative amounts to reflect the changes retrospectively for the earlier period presented in the condensed consolidated financial statements.

The adoption of revised HKAS 40 resulted in:

| Consolidated Balance Sheet | 30 September 2005 HK$'000 | 31 March 2005 HK$'000 |
|---|---|---|
| Increase in retained profits | 410 | – |
| Decrease in investment revaluation reserve | (410) | – |

2. CHANGE IN ACCOUNTING POLICIES (Continued)

Effect of adopting new/revised HKFRSs (Continued)

(iii) The adoption of HKFRS 3, HKAS 36 and HKAS 38 results in a change in the accounting policy for positive goodwill and negative goodwill and prospective application is required.

Prior to this, positive and negative goodwill were amortised in the income statement on a straight line basis over their estimated useful live.

Following the adoption of HKFRS 3, HKAS 36 and HKAS 38:

a. The Group ceased amortisation of remaining goodwill and remaining negative goodwill from 1 April 2005;

b. Accumulated amortisation as at 31 March 2005 has been deducted from the cost of positive goodwill;

c. For the year ending 31 March 2006 onwards, positive goodwill will be tested annually for impairment, as well as when there is indication of impairment;

In accordance with the transitional provision of HKFRS 3, all negative goodwill was derecognised as at 1 April 2005 with a corresponding decrease in accumulated losses.

The adoption of revised HKAS 40 resulted in:

| Consolidated Balance Sheet | 30 September 2005 HK$'000 | 31 March 2005 HK$'000 |
|---|---|---|
| Decrease in negative goodwill | (1,647) | – |
| Increase in retained profits | 1,647 | – |

2. CHANGE IN ACCOUNTING POLICIES (Continued)

Effect of adopting new/revised HKFRSs (Continued)

(iv) The adoption of HKFRS 2 results in a change in the accounting policy for share-based payment.

In prior years, no amounts were recognised when employees (which term includes directors) were granted share options over shares in the company. If the employees chose to exercise the options, the nominal amount of share capital and share premium were credited only to the extent of the option's exercise price receivable.

With effect from 1 January 2005, in order to comply with HKFRS 2, the group recognises the fair value of such share options as an expense in the income statement, or as an asset, if the cost qualifies for recognition as an asset under the Group's accounting policies. A corresponding increase in recognised in a capital reserve within equity.

Where the employees are required to meet vesting conditions before they become entitled to the options, the Group recognises the fair value of the options granted over the vesting period. Otherwise, the group recognises the fair value in the period in which the options are granted.

If an employee chooses to exercise options, the related capital reserve is transferred to share capital and share premium, together with the exercise price. If the options lapse unexercised, the related capital reserve is transferred directly to retained earnings.

The new accounting policy has been applied retrospectively with comparatives restated in accordance with HKFRS 2, except for the transitional provisions set out in paragraph 53 of HKFRS 2 under which the new recognition and measurement policies have not been applied to the following grants of options:

(a) all options granted to employees on or before 7 November 2002; and

(b) all options granted to employees after 7 November 2002 but which had vested before 1 January 2005.

As no share options were granted by the Company since the share option scheme became effective on 6 September 2004, no adjustment is made in the Group's interim financial statements.

3. SEGMENT INFORMATION

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

(i) the building construction segment engages in construction and foundation contract works as a main contractor or subcontractor for building construction in the private and public sectors;

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

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

Segment information is presented by way of two segments: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment basis, by geographical segment.

In determining the Group's geographical segments, revenues and results are attributed to segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets. No further geographical segment information is presented as over 90% of the Group's revenue is derived from customers based in Hong Kong, and over 90% of the Group's assets are located in Hong Kong.

3. SEGMENT INFORMATION (Continued)

The following table presents segment revenue and segment results by business segments, which is the Group's primary basis of segment reporting.

## Business segments

*For the six months ended 30 September 2005 (Unaudited)*

| | Building construction | | Renovations, repairs and maintenance | | Corporate and others | | Consolidated | |
|---|---|---|---|---|---|---|---|---|
| | 2005 (Unaudited) HK$'000 | 2004 (Unaudited) HK$'000 | 2005 (Unaudited) HK$'000 | 2004 (Unaudited) HK$'000 | 2005 (Unaudited) HK$'000 | 2004 (Unaudited) HK$'000 | 2005 (Unaudited) HK$'000 | 2004 (Unaudited) HK$'000 |
| Segment revenue: | | | | | | | | |
| Contract revenue from external customers | 17,166 | 101,604 | 55,326 | 46,785 | – | – | 72,492 | 148,389 |
| Other revenue | 205 | 406 | 58 | 184 | – | 36 | 263 | 626 |
| Total | 17,371 | 102,010 | 55,384 | 46,969 | – | 36 | 72,755 | 149,015 |
| Segment results | (1,505) | 5,326 | (1,873) | 1,485 | – | (6,318) | (3,378) | 493 |
| Interest and unallocated gains | | | | | | | 1,444 | 326 |
| Unallocated expenses | | | | | | | (928) | (312) |
| (Loss)/Profit from operating activities | | | | | | | (2,862) | 507 |
| Finance costs | | | | | | | (2) | (80) |
| Profit before tax | | | | | | | (2,864) | 427 |
| Taxation | | | | | | | 78 | (165) |
| (Loss)/Profit for the period | | | | | | | (2,786) | 262 |
| Net (loss)/profit from ordinary activities attributable to | | | | | | | | |
| – Shareholders of the Company | | | | | | | (1,982) | 422 |
| – Minority interests | | | | | | | (804) | (160) |
| | | | | | | | (2,786) | 262 |

## 4. TURNOVER, OTHER REVENUE AND GAINS

| | Six months ended 30 September 2005 (Unaudited) HK$'000 | Six months ended 30 September 2004 (Unaudited) HK$'000 |
|---|---|---|
| Turnover – contract revenue | 72,492 | 148,389 |
| Other revenue and gains | | |
| Management fee income, net | 959 | 410 |
| Interest income | 400 | 66 |
| Rental income | – | 196 |
| Handling income from subcontractors | – | 63 |
| Bad debt recovered | 200 | – |
| Sundry income | 145 | 106 |
| Gain on disposal of fixed assets | 4 | 63 |
| Negative goodwill recognised | – | 48 |
| | 1,708 | 952 |

## 5. (LOSS)/PROFIT FROM OPERATING ACTIVITIES

| | Six months ended 30 September 2005 (Unaudited) HK$'000 | Six months ended 30 September 2004 (Unaudited) HK$'000 |
|---|---|---|
| The Group's profit from operating activities is stated after charging: | | |
| Depreciation | 176 | 430 |
| Less: Amount capitalized as contract costs | (124) | (122) |
| | 52 | 308 |
| Amortisation of goodwill | – | 312 |
| and after crediting: | | |
| Other income: | | |
| Interest income | (400) | (66) |
| Negative goodwill recognised as income | – | (48) |

6. TAXATION

| | Six months ended | |
|---|---|---|
| | 30 September 2005 (Unaudited) HK$'000 | 30 September 2004 (Unaudited) HK$'000 |
| Current taxation: | | |
| Provision for Hong Kong profits tax | – | 701 |
| Overprovision in prior periods – Hong Kong | (78) | (536) |
| | (78) | 165 |

Hong Kong profits tax has been provided at the rate of 17.5% (six months ended 30 September 2004: 17.5%) on the estimate assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

7. DIVIDENDS

The Board of the Company resolved not to pay an interim dividend for the six months ended 30 September 2005 (for the six months ended 30 September 2004: Nil).

8. (LOSS)/EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 September 2005 was based on the Group's net loss from ordinary activities attributable to shareholders for the period of approximately HK$1,982,000 (2004: profit of HK$422,000) and 1,064,000,000 (2004: 872,480,000) ordinary shares currently in issue.

No diluted earnings per share amounts have been presented as the Company did not have any dilutive potential ordinary shares during the periods presented.

## 9. ACCOUNTS RECEIVABLE

The payment term of contract work was stipulated in the relevant contracts.

An aged analysis of accounts receivable, net of provisions, as at the balance sheet date is as follows:

| | As at 30 September 2005 (Unaudited) HK$'000 | As at 31 March 2005 (Audited) HK$'000 |
|---|---|---|
| Within 30 days | 4,245 | 82,467 |
| 31 – 90 days | – | 979 |
| 91 – 180 days | 1,010 | 107 |
| Over 180 days | 120,849 | 70,386 |
| | 126,104 | 153,939 |

## 10. ACCOUNTS PAYABLE

An aged analysis of accounts payable as at the balance sheet date is as follows:

| | As at 30 September 2005 (Unaudited) HK$'000 | As at 31 March 2005 (Audited) HK$'000 |
|---|---|---|
| Within 30 days | 5,334 | 27,748 |
| 31 – 90 days | 5,445 | 6,453 |
| 91 – 180 days | 2,567 | 557 |
| Over 180 days | 51,876 | 37,600 |
| | 65,222 | 72,358 |

## 11. SHARE CAPITAL

| | As at 30 September 2005 (Unaudited) HK$'000 | As at 31 March 2005 (Audited) HK$'000 |
|---|---|---|
| Authorised: | | |
| 2,000,000,000 (31 March 2005: 2,000,000,000) ordinary shares of HK$0.01 each | 20,000 | 20,000 |
| Issued and fully paid: | | |
| 1,064,000,000 (31 March 2005: 1,064,000,000) Ordinary shares of HK$0.01 each | 10,640 | 10,640 |

During the period from 27 August 2002 (date of incorporation) to 30 September 2005, the movements in the share capital of the Company were as follows:

(a) Upon incorporation of the Company, the authorized share capital of the Company was HK$100,000 divided into 10,000,000 shares of HK$0.01 each.

(b) Pursuant to the written resolutions of all the shareholders of the Company passed on 6 September 2004, the authorized share capital of the Company was increased from HK$100,000 to HK$20,000,000 by the creation of an additional 1,990,000,000 shares of HK$0.01 each.

(c) On 2 September 2002, an aggregate of 10,000,000 shares of HK$0.01 each were allotted and issued nil paid.

(d) On 6 September 2004, as part of the Group Reorganisation, 10,000,000 new shares of HK$0.01 each in the Company were allotted and issued, credited as fully paid, and the existing 10,000,000 shares of HK$0.01 each issued nil paid on 2 September 2002 as mentioned in (c) above, were credited as fully paid at par, in consideration and in exchange for the acquisition by the Company of the entire issued share capital of Wing Hong Investment.

(e) Pursuant to the resolutions passed on 6 September 2004, a total of 852,480,000 shares of HK$0.01 each in the Company were allotted and issued as fully paid at par, by way of capitalization of the sum of HK$8,524,800 standing to the credit of the share premium account of the Company. This allotment and capitalization were conditional on the share premium account being credited as a result of the issue of new shares in connection with the placing and public offer of the new shares of the Company as disclosed in (f) below.

(f) On 12 October 2004, 191,520,000 ordinary shares of HK$0.01 each were issued at an issue price of HK$0.25 each for a total cash consideration of HK$47,880,000 through an initial public offering and were charged to the share premium account.

12. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants for their contributions to the Group. Eligible participants of the Scheme include the part-time or full-time employee, executive or officer of the Group (including the executive and non-executive directors of the Company), business consultants, agents, financial or legal advisers who the board of directors of the Company considers, in its sole discretion, will contribute or have contributed to the Group.

The Scheme became effective on 6 September 2004 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue immediately after the listing of the Company on the Stock Exchange of the Hong Kong Limited (the "Stock Exchange"). The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue as at the date of grant. Any further grant of share options in excess of this limit is subject to shareholders' approval in general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue on the date of offer and with an aggregate value (based on the closing price of the Company's shares at the date of the offer) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may 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 and, commences after a certain vesting period and, ends on a date which is not later than 10 years from the date of grant.

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

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

At the date of this interim report, the total number of shares available for issue under the Scheme is 106,400,000 shares representing 10% of the total issued share capital of the Company on that date.

No share option was granted, exercised, cancelled or lapsed under the Scheme at any time.

13. CONTINGENT LIABILITIES

(a) As at 30 September 2005, the guarantees given to banks in connection with facilities granted to subsidiaries by the Company were utilized to an extent of approximately HK$5,100,000 (31 March 2005: HK$6,184,000).

(b) In the normal course of business, the Group is subject to claims of liquidated damages by relevant employers due to a delay in completion of certain phases of construction contracts. The Group has filed extension of time claims with the relevant employers and the directors, based on legal advice, considers that the Group has valid reasons for the extension of time claims. As at the date of approval of these financial statements, and save as disclosed in note 1 to the financial statements, the directors are of the opinion that the amount of the ultimate liquidated damages, if any, cannot be ascertained, however, any resulting liability would unlikely materially affect the financial position of the Group.

(c) On 7 August 2002, a High Court action had commenced by a subcontractor against a subsidiary of the Group in respect of (i) a claim of subcontracting fees and material costs of approximately HK$31.3 million; and (ii) a compensation claim of approximately HK$191.2 million for the improper termination of a subcontracting contract. On 13 September 2002, an agreement was reached between the subsidiary of the Group and the subcontractor that the High Court action was withdrawn and all the disputes between the parties relating to this action was referred to arbitration. In the statement of claim for the arbitration, the subcontractor revised the claim of subcontracting fees and material costs and compensation claim to approximately HK$42.6 million and HK$84.4 million, respectively. On 9 July 2005, a writ of summons was issued and the proceedings were transferred to the Court of First Instance.

In the opinion of the directors, based on legal advice, the subsidiary of the Group has valid defences, against such claims and any resulting liabilities would not have any material adverse impact on the Group's financial position. Therefore, no provision in respect of such claims was made in the financial statements.

(d) On 13 August 2003, 21 January 2004, 13 March 2004, 13 May 2004, 31 May 2004, 18 June 2004, 14 July 2004, 19 August 2004, 1 September 2004, 8 October 2004, 16 December 2004, 5 January 2005, 26 February 2005 and 28 September 2005, ten District Court actions and four High Court actions had commenced by ten employees against subsidiaries of the Group and the other respondents in respect of claims for employees' compensation under the common law for personal injuries sustained by the employees in accidents arising in and out of the course of their employments and personal injury, loss and damage arising out of the negligence.

No settlements have been reached and no judgments have been made against the subsidiaries of the Group in respect of the above actions. In the opinion of the directors, the above actions with ten employees were either covered by insurance or indemnified by a subcontractor and would not have any material adverse impact on the Group. Therefore, no provision in respect of such claim was made in the financial statements.

13. CONTINGENT LIABILITIES (Continued)

(e) On 13 September 2004, a subsidiary of the Group receive a notice of arbitration from a nominated subcontractor in respect of a claim against the subsidiary of the Group for approximately HK$6.5 million in respect of subcontracting works performed in a residential development project in Kowloon Tong, Hong Kong.

In the opinion of the directors, based on legal advice, the nominated subcontractor does not have sufficient grounds to its claim, and the resulting liabilities, if any, would not have material adverse impact on the Group's financial position.

(f) On 26 July 2005, a High Court action was commenced by a subcontracted party of a subcontractor of the Group against a subsidiary of the Group and the subcontractors, which is in liquidation, in respect of a claim of subcontracting fees and material costs of approximately HK$20.5 million relating to a maintenance term contract. In the opinion of the directors, the subsidiary of the Group has no contractual relationship with the aforesaid subcontracted party and the Group has valid defences against the claims and any resulting liabilities would not have any material adverse impact on the Group's financial position. Therefore, no provision in respect of such claims was made in the financial statements.

(g) The Group has contingent liabilities in respect of possible future long service payments to employees under the Employment Ordinance, with a maximum possible amount of approximately HK$390,000 (31 March 2005: HK$390,000) as at 30 September 2005. 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 Employment Ordinance if their employment is terminated under certain circumstances. A provision has not been recognised 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.

(h) On 28 September 2005, a subsidiary of the Group receive a notice of arbitration from a subcontractor in respect of a claim against the subsidiary of the Group for approximately HK$24,763,000 in respect of subcontracting works performed in a residential development project in Kowloon Tong, Hong Kong.

In the opinion of the directors, the subcontractor does not have sufficient grounds to its claim, and the resulting liabilities, if any, would not have material adverse impact on the Group's financial position.

Save as disclosed above, as at 30 September 2005, the Company and the Group had no other material contingent liabilities.

14. OPERATING LEASE COMMITMENTS

As lessee

The Group leases a warehouse and office premises under operating lease arrangements, with leases negotiated for terms ranging from one to two years.

The Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

| | As at 30 September 2005 (Unaudited) HK$'000 | As at 31 March 2005 (Audited) HK$'000 |
|---|---|---|
| Warehouses and office premises: | | |
| Within one year | 491 | 656 |
| In the second to fifth years, inclusive | – | 62 |
| | 491 | 718 |

15. COMMITMENTS

At the balance sheet date, the Group and the Company did not have any material capital commitments.

16. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the period:

| | | Six months ended | |
|---|---|---|---|
| | | 30 September 2005 (Unaudited) HK$'000 | 30 September 2004 (Unaudited) HK$'000 |
| Office rental expense paid to First Win (Asia) Limited | (i) | 327 | 327 |
| Management fees received from WH-SCG, a jointly-controlled entity | (ii) | – | 364 |
| Renovation fees received from Shanghai Jinjiang International Investment Co. Ltd. ("Jinjiang") and its subsidiaries and associates | (iii) | – | 2,912 |

Notes:

(i) First Win (Asia) Limited is controlled by Mr. Hui Chi Yang and Ms. Chu Yuen Lam, the wife of Mr. Hui Kau Mo. Mr. Hui Chi Yang is a director of certain of the Group's subsidiaries. Mr. Hui Kau Mo is a director of the Company. The rental expense was charged based on the floor area occupied by the Group at rates mutually agreed between the two parties.

(ii) The management fees were charged at cost based on the salary of staff assigned to a project of WH-SCG and were mutually agreed between the two parties.

(iii) Jinjiang is the minority shareholder of Jinjiang Wing Hong. The renovation fees were received in accordance with the terms of the renovation agreements signed between Jinjiang Wing Hong and Jinjiang and its subsidiaries and associates.

In the opinion of the directors, the above transactions arose in the ordinary course of business of the Group.

17. POST BALANCE SHEET EVENT

On 26 October 2005, the Group disposed the investment properties to independent third parties with sales proceeds of approximately HK$2,000,000.

18. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 23 December 2005.