

Auditors' Report



Chartered Accountants
Certified Public Accountants

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

TO THE SHAREHOLDERS OF WING HONG (HOLDINGS) LIMITED

(incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 22 to 73 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants except that the scope of our work was limited as explained below.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. However, the evidence available to us was limited as set out below.

FUNDAMENTAL UNCERTAINTY AND LIMITATION OF AUDIT SCOPE RELATING TO THE RECOVERABILITY OF ACCOUNTS RECEIVABLE AND ARBITRATION

As described in Note 2 to financial statements, the Company commenced arbitration against a major customer ("Case 1") to recover the accounts receivable of the Group, representing an amount recorded based on architects' certificate, of approximately HK\$120,459,000 (the "Receivable Under Dispute"). Subsequently a counter claim was made by the major customer against the Group in relation to the disputes on claims arising from liquidated damages and alleged environmental related damages in relation to main contract works in a residential development project carried out in Hong Kong ("Case 2") in the amount of approximately HK\$122,480,000. In respect of Case 1 and Case 2, the parties are undergoing an arbitration and negotiation process and the outcome of the arbitration has not been finalised as of the date of approval of these financial statements.

As a result of the uncertainty of the timing and the outcome of Case 1, we are unable to ascertain as to how much and when the accounts receivable of the major customer would be recoverable or whether the full amount might be recoverable. There were no other practical satisfactory audit procedures that we could adopt to assess the carrying value of the accounts receivable of the major customer. Any adjustments to the carrying

value of the accounts receivable of the major customer that might have been necessary should evidence become available to us may have a consequential significant effect on the net assets of the Company and the Group as at 31 March 2006 and the loss of the Group for the year then ended.

As a result of the uncertainty of the timing and the outcome of Case 2, we are unable to ascertain the possible result of Case 2 against the Group in relation to the disputes on claims arising from liquidated damages and alleged environmental related damages in relation to main contract works in a residential development project carried out in Hong Kong. The future settlement of Case 2 could result in additional liabilities of the Group. Any adjustments to the additional liabilities of Case 2 that might have been necessary should evidence become available to us may have a consequential significant effect on the net assets of the Company and the Group as at 31 March 2006 and the loss of the Group for the year then ended.

FUNDAMENTAL UNCERTAINTY AND LIMITATION OF AUDIT SCOPE RELATING TO RECOVERABILITY OF OTHER RECEIVABLE AND ARBITRATION

As described in Note 23 to financial statements, the Company commenced arbitration against a subcontractor ("Case 3") to recover the other receivable of the Company in the amount of approximately HK\$10,800,000 (the "Receivable"). Case 3 is in respect of costs incurred on behalf of the subcontractor arising from execution of a civil engineering works contract in Hong Kong. Although the directors of the Company, after consultation with their legal advisors, are of the view that Group has valid grounds to recover the Receivable, the outcome of such arbitration cannot be determined as at the date of approval of these financial statements.

As a result of the uncertainty of the timing and the outcome of Case 3 we are unable to ascertain as to how much and when the other receivable of the subcontractor would be recoverable or whether the full amount might be recoverable. There were no other practical satisfactory audit procedures that we could adopt to assess the carrying value of the other receivable of the subcontractor. Any adjustments to the carrying value of the other receivable of the subcontractor that might have been necessary should evidence become available to us may have a consequential significant effect on the net assets of the Company and the Group as at 31 March 2006 and the loss of the Group for the year then ended.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for opinion.

FUNDAMENTAL UNCERTAINTIES RELATING TO THE GOING CONCERN BASIS OF THE GROUP

In forming our opinion we have considered the adequacy of the disclosures made in Note 2 to financial statements concerning the adoption of the going concern basis on which the financial statements have been prepared. As explained in Note 2 to financial statements, the directors are currently undertaking measures to satisfy its working capital needs and improve the liquidity position of the Group.

The financial statements have been prepared on a going concern basis, the validity of which depends upon the outcome of Case 1, Case 2 and Case 3 and the recoverability of Receivable Under Dispute, the Receivable and the successful outcome of the Group's measures to satisfy its working capital needs and improve the liquidity position. The financial statements do not include any adjustments that would result from the Group fail to recover the Receivable Under Dispute and the Receivable as stated above and a failure as to the successful outcome of the working capital and liquidity position of the Group. If the Receivable Under Dispute and the Receivable were not to be recovered or there was a failure as to the successful outcome of the working capital and liquidity position of the Group, adjustments would have to be made to the financial statements to reduce the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. We are uncertain whether the financial statements of the Group should be prepared under the going concern basis due to the matters as mentioned in preceding paragraph.



QUALIFIED OPINION: DISCLAIMER ON OPENING BALANCES IN RELATION TO THE RECEIVABLES UNDER DISPUTE AND THE RECEIVABLE AND DISCLAIMER ON VIEW GIVEN BY THE FINANCIAL STATEMENTS

The Receivable Under Dispute and the Receivable were originally included in the consolidated balance sheet as at 31 March 2005. Because of the significant of the possible effects of the limitation in evidence available to us concerning the recoverability of the Receivable Under Dispute and the Receivable and the pending arbitrations referred to in the preceding paragraphs, we are unable to form an opinion as to whether the corresponding consolidated financial statements for the year ended 31 March 2005 and consequently the opening balances as of 1 April 2005 of the financial statements are free from any material misstatement.

Because of the significance of the possible effects of the limitation in evidence available to us relating to the matters referred to the above paragraphs, we are unable to form an opinion as to whether the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2006 or of the loss and cash flows of the Group for year then ended and as to whether the financial statements have been properly prepared in accordance with the disclosure requirements of the Companies Ordinance.

In respect alone of the limitation on our work relating to the matters described above, we have not obtained all the information and explanations that we considered necessary for the purposes of our audit.

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

Hong Kong, 25 July 2006