1. CORPORATE INFORMATION AND GROUP REORGANISATION

Corporate Information

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 27 August 2002 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The registered office of the Company is Century Yard, Cricket Square Hutchins Drive, P.O. Box 2681 GT, George Town, Grand Cayman, British West Indies. The principal place of business of the Company in Hong Kong is located at 7th Floor, Eastern Commercial Centre, 395-399 Hennessy Road, Wanchai, Hong Kong.

Upon incorporation of the Company, the authorised share capital of the Company was HK$100,000 divided into 10,000,000 shares of HK$0.01 each. No transactions were carried out by the Company during the period from 27 August 2002 (date of incorporation) to 31 March 2004. Accordingly, the Company had not recorded any assets or liabilities as at 31 March 2004, nor profits or losses for the period then ended.

The Group was principally involved in building constructions, renovation and related services and property investment.

In the opinion of directors, the Company's ultimate holding company is Rich Place Investment Limited ("Rich Place"), which is incorporated in the British Virgin Islands (the "BVI") with limited liability.

Group Reorganisation

Pursuant to a group reorganisation scheme (the "Group Reorganisation") to rationalise the structure of the Group in preparation for the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the companies now comprising the Group on 10 September 2004. This was accomplished by acquiring the entire issued share capital of Wing Hong Investment Limited ("Wing Hong Investment"), a company incorporated in BVI, which is, as at the date of this report, the intermediate holding company of the subsidiaries set out in note 18 to financial statements, in consideration of and in exchange for (i) the allotment and issue of 10,000,000 ordinary shares of HK$0.01 each in the Company, credited as fully paid; and (ii) the 10,000,000 shares of HK$0.01 each previously allotted and issued nil paid being credited as fully paid.

Further details of the Group Reorganisation are set out in note 32 to financial statements and in the Company's listing prospectus dated 30 September 2004.

On 13 October 2004, the Company completed its initial public offering and the shares of the Company were listed on the Main Board of the Stock Exchange on the same date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards (HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance and applicable disclosure provisions of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK$'000) except otherwise indicated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

The HKICPA has issued a number of new and revised HKFRSs which are effective for accounting periods beginning on or after 1 January 2005. A summary of the effect on initial adoption of these new and revised HKFRSs is disclosed in Note 3 to financial statements.

The preparation of financial statements in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustments in the next year are discussed in Note 4 to financial statements.

A summary of the significant accounting policies followed by the Group in the preparation of the financial statements is set out below:

(a) Basis of preparation

The measurement basis used in the preparation of the financial statements is historical cost as modified for the revaluation of investment property as explained in the accounting policies set out below.

The financial statements have been prepared on a going concern basis, the validity of which depends upon the outcome of the arbitration and recoverability of accounts receivable, the other receivable as stated below in Note 23 to financial statements 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 accounts receivable and other receivable. If the accounts receivable and other 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.

Included in the consolidated balance sheet as at 31 March 2006 is an accounts receivable of approximately HK$120,459,000 (2005: HK$120,459,000) (the “Receivable Under Dispute”), recorded based on architects’ certificates, currently withheld by a major customer of the Group with respect to disputes on claims arising from liquidated damages and alleged environmental related damages in relation to main contract work for a residential development project carried out in Kowloon Tong, Hong Kong, and the claim made by the Group on extension of time (the “EOT Claim”) entitlement by the Group. The Receivables Under Dispute were certified by the architects of the residential development project.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

As at the date of approval of this financial statement, the Group has initiated arbitration proceedings to recover the outstanding amount due and negotiations with the customer are still in progress. Despite that the full amount of the accounts receivable balance is being withheld by the customer, 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 in the amount of approximately HK$122,480,000. In the opinion of the directors, based on legal advice, the customer do not have sufficient grounds to their claims in respect of the liquidated damages and the Group has valid grounds to their entitlement of the EOT Claim, and as a result, the resultant liquidated damages, if any, would not be significant to the Group's financial statements. The directors also considered that the Group has valid grounds to defend against the alleged environmental related damages claims by the customer and that the final amount being claimed, if any, would not have a material impact to the Group's financial position.

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

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, two major shareholders of the Company provided continual financial support to the Group in the form of shareholders' loan, of which approximately HK$42,991,000 of the loan had been made to the Group as at 31 March 2006 (2005: HK$21,200,000). Further details of the shareholders loan are disclosed in Note30(b) to the financial statements.

In the opinion of the directors, in light of the continual financial support from the major shareholders, 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.

(b) Basis of consolidation

The consolidated financial statements for the year ended 31 March 2006 include the financial statements of the Company and its subsidiaries made up to 31 March 2006. The results of the subsidiaries acquired or disposed of during the year are consolidated from their effective dates of acquisition or disposal, respectively.

The consolidated financial statements for the year ended 31 March 2005 has been prepared using the merger basis of accounting as a result of the completion of the Group Reorganisation. On this basis, the Company has been treated as the holding company of its subsidiaries for the financial years presented, rather than from the date of its acquisition of subsidiaries on 10 September 2004. Accordingly, the consolidated results of the Group for the year ended 31 March 2005 include the results of the Company and its subsidiaries with effect from 1 April 2004 or since their respective dates of incorporation, where this is a shorter period.

In the opinion of the directors, the consolidated financial statements for the year ended 31 March 2005 prepared on the merger basis of accounting present more fairly the results and state of affairs of the Group as a whole.

Inter-group transactions and balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Minority interests representing the interests of outside shareholders in the net assets and operating results of subsidiaries.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

In the Company's balance sheet, the investments in subsidiaries that are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(d) Joint venture companies

A joint venture company is a company set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture company operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture company's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture company is treated as:

(i) a subsidiary, if the Company has unilateral control, directly or indirectly, over the joint venture company;

(ii) a jointly-controlled entity, if the Company does not have unilateral control, but has joint control, directly or indirectly, over the joint venture company;

(iii) an associate, if the Company does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture company's registered capital and is in a position to exercise significant influence over the joint venture company; or

(iv) a long term investment, if the Company holds, directly or indirectly, less than 20% of the joint venture company's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Jointly controlled entity

A jointly controlled entity is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

Investments in jointly controlled entities are accounted for by the equity method of accounting. The consolidate income statement includes the Group's share of the results of jointly controlled entities for the year, and the consolidated balance sheet includes the Group's share of the net assets of the jointly controlled entities and goodwill (net of any accumulated impairment loss) on acquisition.

(f) Associated companies

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% to 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in the consolidated income statement and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

(g) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Translation differences on non-monetary items, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation difference on non-monetary items, such as equities classified as available-for-sale financial assets are included in the fair value reserve in equity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Foreign currency translation *(Continued)*

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(1) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(2) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(3) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(h) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

(i) Negative goodwill

Negative goodwill arising on the acquisition of subsidiaries represents the excess of the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition, over the cost of the acquisition. The amount of any negative goodwill is recognised immediately in the consolidated income statement.

(j) Property, plant and equipment

Property, plant and equipment, other than investment properties, are stated at cost less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the consolidated income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the property, plant and equipment, the expenditure is capitalised as an additional cost of that property, plant and equipment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Property, plant and equipment *(Continued)*

Depreciation is calculated on the straight-line basis to write-off the cost of each asset over its estimated useful life. The principal annual rates used for this purpose are as follow:

Leasehold improvements	Over the terms of lease or 3 years, whichever is shorter
Machinery	10%
Motor vehicles	20%
Furniture, fixtures and office equipment	20%
Tools and equipment	20%

The gain or loss on disposal or retirement of a property, plant and equipment recognised in the consolidated income statement is the difference between the net sales proceeds and the carrying amount of the relevant asset.

(k) Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated Group, is classified as investment property.

Investment property is measured initially at its cost, including related transaction costs.

After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active market or discounted cash flow projections. These valuations are performed in accordance with the guidance issued by the International Valuation Standards Committee. These valuations are reviewed annually by external valuers.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

The fair value also reflects on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of land classified as investment property, others, including contingent rent payments, are not recognised in the financial statements.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

Changes in fair values are recognised in the income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Impairment of assets

Assets that have an indefinite useful life are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

(m) Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, the costs of subcontracting, direct labour and an appropriate proportion of variable and fixed construction overheads.

Revenue from fixed price construction contracts is recognised on the percentage of completion method, measured by reference to the percentage of certified value of work performed to the contract sum for each contract.

Revenue from cost plus construction contracts is recognised on the percentage of completion method, by reference to the recoverable costs incurred during the period plus the related fee earned, measured by the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Provision is made for foreseeable losses as soon as they are anticipated by management.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from customers for contract work.

Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to customers for contract work.

(n) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial assets or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(p) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(q) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(r) Employee benefits

(i) Employment Ordinance long service payments

Certain of the Group's employees have completed the required number of years of services to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance (the "Employment Ordinance") in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Employment Ordinance. Long service payments are recognised when they accrue to employees. A provision is made for the estimated liability for the long service payments as a result of services rendered by employees up to the balance sheet date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Employee benefits *(Continued)*

(ii) Retirement benefits schemes

The Group operates defined contribution retirement benefits schemes in Hong Kong, including a Mandatory Provident Fund Scheme (the "MPF Scheme"), for those employees who are eligible and have elected to participate in the schemes. Contributions are made based on a percentage of the participating employees' basic salaries and are charged to the consolidated income statement as they become payable in accordance with the rules of the schemes. The assets of the schemes are held separately from those of the Group in independently administered funds. When an employee leaves the schemes, with the exception of the MPF Scheme, prior to his/her interest in the Group's employer contributions vesting fully, the ongoing contributions payable by the Group may be reduced by the relevant amount of any forfeited contributions. In respect of the MPF Scheme, the Group's employer contributions vest fully with the employees when contributed into the scheme.

The Group also operates a Mandatory Provident Fund Exempted ORSO retirement benefits scheme for those employees who are eligible to participate in the scheme. This scheme operates in a way similar to the MPF Scheme, except that when an employee leaves the scheme prior to his/her interest in the Group's employee contributions vesting fully, the ongoing contributions payable by the Group was reduced by the relevant amount of forfeited employer's contributions.

The employees of the Group's subsidiary which operates in the PRC are required to participate in a central pension scheme operated by the local municipal government. The subsidiary is required to contribute certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the consolidated income statement as they become payable in accordance with the rules of the central pension scheme.

(iii) Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period.

The proceeds received not of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(s) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably on the following bases:

(i) from construction contracts, based on the percentage of completion basis as further explained in the Note 2(m) above;

(ii) work orders from contracts for alterations, additions, repairs and maintenance, based on the value of individual work order certified by relevant employers;

(iii) from the sale of properties, upon the execution of formal sales and purchase agreement;

(iv) management fee income and tender services income, when the services are rendered;

(v) rental income, on a time proportion basis over the lease terms;

(vi) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable; and

(vii) dividend income, when the shareholders' right to receive payment has been established.

(u) Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the capital and reserves section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's and its subsidiaries' memorandums and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

(v) Leases

(i) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are expensed in the income statement on a straight-line basis over the period of the lease.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Leases *(Continued)*

(ii) Finance leases

Leases of assets where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current borrowings. The interest element of the finance cost is recognised in the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The investment properties acquired under finance leases are carried at their fair value.

(w) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. A contingent asset is not recognised but is disclosed in the notes to financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(x) Related party

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

(y) Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through a continuing use.

3. CHANGES IN ACCOUNTING POLICIES

In the year ended 31 March 2006, the Group adopted the following new and revised HKFRSs which are relevant to its operations. The 2005 comparatives have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 21	The Effects 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: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HKAS-Int 15	Operating Leases — Incentives
HKAS-Int 21	Income Taxes — Recovery of Revalued Non-Depreciated Assets
HKFRS 2	Share-based Payments
HKFRS 3	Business Combinations
HKFRS 5	Non-current Assets Held for Sale and Discontinued Operations

The adoption of new and revised HKASs 7, 8, 10, 12, 14, 16, 17, 23, 27, 28, 32, 33, 39 and HKAS-Int 15 did not result in substantial changes to the Group's accounting policies. The impact of adopting the other HKFRSs is summarised as follows:

— HKAS 1 has affected the presentation of minority interest, 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 year.

— HKAS 21 had no material effect on the Group's accounting policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard. All the group entities have the same functional currency as the presentation currency for respective entity financial statements.

— HKAS 24 has affected the identification of related parties and some other related-party disclosures.

— The adoption of revised HKAS 40 has resulted in a change in the accounting policy of which the changes in fair values are recorded in the income statement as part of other gains. In prior years, the increases in fair value were credited to the investment properties revaluation reserve. Decreases in fair value were first set off against increases on earlier valuations on a portfolio basis and thereafter expenses in the income statement.

3. CHANGES IN ACCOUNTING POLICIES *(Continued)*

— The adoption of HKFRS 2 has resulted in a change in the accounting policy for share-based payments. With effect from 1 April 2005, the Group recognises the fair value of share options granted as an expense in the income statement over the vesting period with a corresponding increase being recognised in share-based payment reserve. The share-based payment reserve is transferred to share capital and share premium, together with the exercise price, when the option holder exercises its rights. In prior years, no amount was recognised when options were granted. If the option holders 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. As a transitional provision, the cost of share option granted after 7 November 2002 and had not yet vested on 1 April 2005 were expensed retrospectively in the income statement of the respective periods.

No share options were granted as at 31 March 2006 and 31 March 2005.

— 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. Until 31 March 2005, positive goodwill was capitalised and amortised on a straight-line basis over its useful economic life of 20 years and was subject to impairment testing when there were indications of impairment.

In accordance with the provisions of HKFRS 3, the Group ceased amortisation of goodwill from 1 April 2005 and the accumulated amortisation as at 31 March 2005 has been eliminated with a corresponding decrease in the cost of goodwill. From the year ended 31 March 2006 onwards, goodwill is tested annually for impairment.

In accordance with the provisions of HKFRS 3, the Group derecognised the carrying amount of negative goodwill on 1 April 2005, with a corresponding adjustment to opening balance of retained earnings.

— The adoption of HKFRS 5 has resulted in a change in the accounting policy for non-current assets (or disposal groups) held for sale. The non-current assets (or disposal groups) held for sale were previously neither classified nor presented as current assets or liabilities. There was no difference in measurement for non-current assets (or disposal groups) held for sale or for continuing use.

The Group adopted HKFRS 5 from 1 January 2005 prospectively in accordance with the standard's provisions. The application of HKFRS 5 does not impact on the prior-year financial statements other than a change in the presentation of the results and cash flows of discontinued operations.

— The adoption of HKAS-Int 21 has resulted in a change in the accounting policy relating to the measurement of deferred tax liabilities arising from the revaluation of investment properties. Such deferred tax liabilities are measured on the basis of tax consequences that would follow from recovery of the carrying amount of that asset through use. In prior years, the carrying amount of that asset was expected to be recovered through sale.

All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards, wherever applicable. All standards adopted by the Group require retrospective application other than:

— HKAS16 — initial measurement of an item of property, plant and equipment acquired in an exchange of assets transaction is accounted at fair value prospectively only to future transactions;

— HKAS 21 — prospective accounting for goodwill and fair value adjustments as part of foreign operations; and

3. CHANGES IN ACCOUNTING POLICIES *(Continued)*

— HKAS 39 — does not permit to recognise, derecognise and measure financial assets and liabilities in accordance with this standard on a retrospective basis. The Group applied the previous SSAP 24 "Accounting for investment in securities" to investments in securities and also to hedge relationships for the 2004 comparative information. The adjustments required for the accounting differences between SSAP 24 and HKAS 39 are determined and recognised at 1 April 2005.

— HKFRS 3 — prospectively after 1 April 2005.

(i) Effect on the consolidated income statement for the year ended 31 March 2005

	HKAS 39 Financial instruments *HK$'000*
Increase in provision for impairment loss on accounts receivables	1,838
Decrease in allowances for bad and doubtful debts	(1,838)
	—

(ii) Effect on the consolidated balance sheet as at 1 April 2005

	HKAS 40 Investment properties *HK$'000*	**HKFRS 3 Business combination** *HK$'000*	**Total** *HK$'000*
Assets			
Goodwill	—	(10,880)	(10,880)
Negative goodwill	—	(2,232)	(2,232)
Accumulated amortisation	—	11,465	11,465
Equity			
Retained profits	410	1,647	2,057
Investment property revaluation reserve	(410)	—	(410)
	—	—	—

(iii) Effect on the consolidated income statement for the year ended 31 March 2006

	HKAS 39 Financial instruments *HK$'000*
Increase in provision for impairment loss of trade receivables	4
Decrease in allowances for bad and doubtful debts	(4)
	—

3. CHANGES IN ACCOUNTING POLICIES *(Continued)*

(iv) Effect on the consolidated balance sheet as at 31 March 2006

	HKFRS 5 Non-current assets held for sale and discontinued operation *HK$'000*
Increase in non-current assets classified as held for sale	2,200
Decrease in property, plant and equipment	(2,200)
Increase in liabilities directly associated with non-current assets classified as held for sale	211
Decrease in other payables and accruals	(211)
	—

No early adoption of the following new Standards or Interpretations that have been issued but are not yet effective. Unless otherwise stated, these HKFRSs are effective for annual periods beginning on or after 1 January 2006:

HKAS 1 (Amendment)	Capital Disclosures
HKAS 19 (Amendment)	Employee Benefits — Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 (Amendment)	The Effects of Changes in Foreign Exchange Rates — Net Investment in a Foreign Operation
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transaction
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 & HKFRS 4 (Amendment)	Financial Guarantee Contracts
HKFRS 1 (Amendment)	First-time Adoption of Hong Kong Financial Reporting Standards
HKFRS 6 (Amendment)	Exploration for and Evaluation of Mineral Resources
HKFRS 7	Financial Instruments: Disclosure
HK (IFRIC) — Int 4	Determining whether an Arrangement contain a Lease
HK (IFRIC) — Int 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HK (IFRIC) — Int 6	Liabilities arising from Participating in a Specific Market — Waste Electrical and Electronic Equipment
HK (IFRIC) — Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK (IFRIC) — Int 8	Scope of HKFRS 2
HK (IFRIC) — Int 9	Reassessment of Embedded Derivatives

HKAS 1 (Amendment) — Presentation of Financial Statements — Capital Disclosures introduces disclosures about the level of an entity's capital and how it manages capital. The Group assessed the impact of the amendment to HKAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and the capital disclosures required by the amendment of HKAS 1. The Group will apply HKAS 1 from annual periods beginning 1 January 2007.

3. CHANGES IN ACCOUNTING POLICIES *(Continued)*

HKAS 39 (Amendment) — Cash Flow Hedge Accounting of Forecast Intragroup Transactions allows the foreign currency risk of a highly probable forecast intragroup transaction to qualify as a hedged item in the consolidated financial statements, provided that: (a) the transaction is denominated in currency other than the functional currency of the entity entering into that transaction; and (b) the foreign currency risk will affect consolidated profit and loss. This amendment is not relevant to the Group's operations, as the Group does not have any intragroup transactions that would qualify as a hedged item in the consolidated financial statements as at 31 March 2005 and 2006.

HKAS 39 (Amendment) — The Fair Value Option changes the definition of financial instruments classified at fair value through profit or loss and restricts the ability to designate financial instruments as part of this category. The Group believes that this amendment should not have a significant impact on the classification of financial instruments, as the Group should be able to comply with the amended criteria for the designation of financial instruments at fair value through profit or loss. The Group will comply this amendment from accounting periods beginning on or after 1 January 2006.

HKAS 39 and HKFRS 4 (Amendment) — Financial Guarantee requires issued financial guarantees, other than those previously asserted by the entity to be insurance contracts, to be initially recognised at their fair value, and subsequently measured at the higher of (a) the unamortised balance of the related fees received and deferred, and (b) the expenditure required to settle the commitment at the balance sheet date.

HKFRS 7 — Financial Instruments: Disclosures introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces HKAS 30 — Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and disclosure requirements in HKAS 32 — Financial Instruments: Disclosure and Presentation. It is applicable to all entities that report under HKFRS.

Except as stated above, the Group expects that the adoption of the other pronouncements listed above will not have any significant impact on the Group's financial statements in the period of initial application.

4. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and fair value interest risk), credit risk, liquidity risk and cash flow interest-rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Hong Kong dollar and Renminbi. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. 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.

4. FINANCIAL RISK MANAGEMENT *(Continued)*

Financial risk factors *(Continued)*

(b) Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure that transactions are made to customers with an appropriate credit history. For construction transaction, back-to-back arrangements are made with the sub-contractors where applicable to minimise the credit risk.

(c) Liquidity risk

The Group manages liquidity risk through continuous monitoring and matching of the funding requirement and position. It maintains sufficient cash and availability of funds through an adequate amount of undrawn committed credit facilities.

(d) Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters 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.

(b) Impairment of assets

The Group tests annually whether the assets has suffered any impairment. The recoverable amount of an asset or a cash generating unit is determined based on value-in-use calculations which require the use of assumptions and estimates.

(c) Fair value estimation

The carrying amounts of the Group's financial assets, including cash and bank balances, trade and other receivables, amount due from shareholders, and financial liabilities, including trade and other payables and, approximate their fair values due to their short maturities. The face values less any credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

(d) Estimate of fair value of investment properties

The best evidence of fair value is current prices in an active market for similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

(i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;

(ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(iii) discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts, and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

If information on current or recent prices of investment properties is not available, the fair values of investment properties are determined using discounted cash flow valuation techniques. The Group uses assumptions that are mainly based on market conditions existing at each balance date.

The principal assumptions underlying management's estimation of fair values are those related to: the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and appropriate discount rates. These valuations are regularly compared to actual market yield data, and actual transactions by the Group and those reported by the market.

The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

6. SEGMENT INFORMATION

The Group's operating businesses are structured and managed separately, according to the nature of their operations and services 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 of details of the business segments are as follows:

(a) 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;

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

(c) the corporate and other segment 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.

6. SEGMENT INFORMATION *(Continued)*

Business Segments

The following table presents revenue and loss for the Group's business segments.

Group

	Building Construction		Renovation, repairs and maintenance		Corporate and others		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:								
Contract revenue from external customers	**93,467**	232,480	**59,234**	112,457	**—**	—	**152,701**	344,937
Other revenue and other income	**1,029**	186	**156**	1,822	**—**	—	**1,185**	2,008
Total	**94,496**	232,666	**59,390**	114,279	**—**	—	**153,886**	346,945
Segment results	**3,059**	6,337	**5,354**	5,524	**(21,777)**	(20,665)	**(13,364)**	(8,804)
Interest and unallocated gains							**724**	1,804
Unallocated expenses							**—**	(3,816)
Loss from operating activities							**(12,640)**	(10,816)
Finance costs							**(1,851)**	(343)
Loss before tax							**(14,491)**	(11,159)
Taxation							**78**	—
Loss for year							**(14,413)**	(11,159)
Segment assets	**205,366**	171,741	**25,263**	56,974	**3,238**	3,371	**233,867**	232,086
Interest in a jointly-controlled entity	**1,143**	1,184	**—**	—	**—**	—	**1,143**	1,184
Unallocated assets							**14,430**	35,411
Total assets							**249,440**	268,681
Segment liabilities	**62,138**	83,802	**10,939**	14,606	**824**	1,209	**73,901**	99,617
Unallocated liabilities							**46,076**	27,135
Total liabilities							**119,977**	126,752
Other segment information:								
Depreciation	**84**	73	**194**	166	**25**	578	**303**	817
Amortisation of goodwill	**—**	625	**—**	—	**—**	—	**—**	625
Impairment of goodwill	**—**	2,766	**—**	—	**—**	—	**—**	2,766
Capital expenditure	**63**	—	**183**	124	**—**	—	**246**	124
Provision for impairment loss on accounts receivables	**—**	—	**4**	—	**—**	—	**4**	—
Provision for impairment loss on deposits and other receivables	**—**	—	**—**	1,838	**—**	—	**—**	1,838

6. SEGMENT INFORMATION *(Continued)*

Geographical Segments

2006

	Group		
	Hong Kong *HK$'000*	**PRC** *HK$'000*	**Total** *HK$'000*
Segment revenue	106,373	46,328	152,701
Total segment assets	236,906	12,534	249,440
Capital expenditure	189	57	246

In determining the Group's geographical segments, revenues and results are attributed to the 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 for the year ended 31 March 2005 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.

7. TURNOVER AND REVENUE

Turnover represents the appropriate proportion of contract revenue of construction contracts.

An analysis of turnover, other revenue and gains is as follows:

	2006 ***HK$'000***	2005 *HK$'000*
Turnover:		
Contract revenue	**152,701**	344,937
Other revenue:		
Management fee and tender services income	**—**	620
Related staff costs	**—**	(567)
	—	53
Bank interest income	**1,179**	112
Bad debt recovered	**200**	—
Handling income from subcontractors	**47**	811
Other interest income	**70**	1,098
Refund of provident fund unvested benefit	**150**	—
Rental income	**54**	378
Sundry income	**173**	229
	1,873	2,681
Total revenue	**154,574**	347,618

8. LOSS FROM OPERATING ACTIVITIES

The Group's loss from operating activities is arrived at after charging/(crediting):

	Note	2006 HK$'000	2005 HK$'000
Auditors' remuneration		**500**	875
Depreciation		**303**	817
Amount capitalised as contract costs		**(182)**	(239)
		121	578
Amortisation of goodwill		**—**	625
Impairment of goodwill		**—**	2,766
Provision for impairment loss on accounts receivables		**4**	—
Provision for impairment loss on deposits and other receivables		**—**	1,838
Staff costs (excluding directors' remuneration):	*10*		
— wages and salaries		**16,649**	23,284
— pension scheme contributions		**614**	825
— forfeited contributions		**—**	(115)
Net pension scheme contributions[#]		**614**	710
Less: Amount of staff costs capitalised as contract costs		**(1,977)**	(1,365)
		15,286	22,629
Minimum lease payments under operating leases:			
— Machinery		**—**	544
— Land and buildings		**1,244**	1,350
Loss on disposal of investment properties		**—**	425
and after crediting:			
Other income:			
Gain on disposal of property, plant and equipment		**(32)**	(1,034)
Gain on disposal of a subsidiary		**(4)**	—
Negative goodwill recognised as income	*17*	**—**	(97)
		(36)	(1,131)
Equipment rental income		**(54)**	(366)
Net rental income		**—**	(198)
Interest income		**(1,249)**	(1,210)

[#] As at 31 March 2006, the Group had no material forfeited contributions available to offset future pension scheme contributions to the scheme (2005: Nil).

9. FINANCE COSTS

	Group 2006 HK$'000	Group 2005 HK$'000
Interests on bank overdrafts and bank loans	**2**	343
Interest on shareholders' loans	**1,849**	—
	1,851	343

10. DIRECTORS' REMUNERATION

The remuneration of every director for the year ended 31 March 2006 and 2005, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Fees		Salaries and other benefits		Performance related incentive payments		Retirement benefits scheme contributions		Total	
	2006 HK$'000	2005 HK$'000	**2006 HK$'000**	2005 HK$'000	**2006 HK$'000**	2005 HK$'000	**2006 HK$'000**	2005 HK$'000	**2006 HK$'000**	2005 HK$'000
Executive Directors										
Mr. Hui Chi Yung	**—**	—	**895**	895	**—**	—	**12**	12	**907**	907
Mr. Hui Kau Mo	**413**	—	**—**	—	**—**	—	**—**	—	**413**	—
Mr. Yiu Kai Yeuk, Raphael	**—**	—	**1,817**	1,817	**—**	—	**12**	12	**1,829**	1,829
	413	—	**2,712**	2,712	**—**	—	**24**	24	**3,149**	2,736
Independent Non-Executive Directors										
Dr. Hu Chung Kuen, David	**20**	15	**—**	—	**—**	—	**—**	—	**20**	15
Mr. Liu Kwong Sang	**20**	15	**—**	—	**—**	—	**—**	—	**20**	15
Mr. Sit Hing Wah	**20**	15	**—**	—	**—**	—	**—**	—	**20**	15
	60	45	**—**	—	**—**	—	**—**	—	**60**	45
	473	45	**2,712**	2,712	**—**	—	**24**	24	**3,209**	2,781

The number of directors whose remuneration fell within the following bands is as follows:

	Number of directors 2006 HK$'000	Number of directors 2005 HK$'000
Nil — HK$1,000,000	**5**	5
HK$1,500,001 — HK$2,000,000	**1**	1
	6	6

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2005: two) directors. Details of whose remuneration are set out in note 10 to the financial statements. The details of the remuneration of the remaining three (2005: three) non-director, highest paid employees are as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**2,131**	2,131
Pension scheme contributions	**36**	36
	2,167	2,167

The number of non-director, highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees	
	2006	2005
Nil — HK$1,000,000	**3**	3

12. TAXATION

No provision for Hong Kong profits tax has been made as the Group has no estimated assessable profits arising in Hong Kong during for year ended 31 March 2006 (2005: HK$Nil). 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.

	Group	
	2006	2005
	HK$'000	*HK$'000*
Overprovision in prior years — Hong Kong	**78**	—

12. TAXATION *(Continued)*

A reconciliation of the tax expense applicable to loss before tax using the statutory rates for the countries in which the Company and its subsidiaries, jointly-controlled entity and associate are domiciled to the tax expense at the effective tax rates, and a reconciliation of tax at the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

Group

	2006					
	Hong Kong		**Mainland China**		**Total**	
	HK$'000	***%***	***HK$'000***	***%***	***HK$'000***	***%***
Profit/(Loss) before tax	**(16,680)**		**2,189**		**(14,491)**	
Tax at applicable tax rate	**(2,919)**	**(17.5)**	**722**	**33.0**	**(2,197)**	**(15.2)**
Expenses not deductible for tax purposes	**5,737**	**34.4**	**—**	**—**	**5,737**	**39.6**
Non-taxable income	**(3,984)**	**(23.9)**	**(624)**	**(28.5)**	**(4,608)**	**(31.8)**
Tax losses not recognised	**1,166**	**7**	**—**	**—**	**1,166**	**8.0**
Tax losses utilised	**—**	**—**	**(98)**	**(4.5)**	**(98)**	**(0.6)**
Over provision in previous year	**(78)**	**(0.5)**	**—**	**—**	**(78)**	**(0.5)**
Tax charge at the Group's effective rate	**(78)**	**(0.5)**	**—**	**—**	**(78)**	**(0.5)**

Group

	2005					
	Hong Kong		Mainland China		Total	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Profit/(Loss) before tax	(11,795)		636		(11,159)	
Tax at applicable tax rate	(2,064)	(17.5)	210	33.0	(1,854)	(16.6)
Expenses not deductible for tax purposes	1,152	9.8	—	—	1,152	10.3
Non-taxable income	(403)	(3.4)	—	—	(403)	(3.6)
Tax losses not recognised	1,325	11.2	—	—	1,325	11.9
Others	(10)	(0.1)	(210)	(33.0)	(220)	(2.0)
Tax charge at the Group's effective rate	—	—	—	—	—	—

13. NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit/(loss) from ordinary activities attributable to shareholders for the year ended 31 March 2006 dealt with in the financial statements of the Company is HK$314,000 (2005: loss of HK$490,000) *(Note 34(b))*.

14. DIVIDENDS

The directors do not recommend the payment of any dividend in respect of the year ended 31 March 2006 (2005: Nil).

15. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss from ordinary activities attributable to shareholders for the year of approximately HK$15,004,000 (2005: HK$11,326,000) and the weighted average of 1,064,000,000 (2005: 962,205,808) shares deemed to have been in issue during the year.

The weighted average number of shares used to calculate the basic loss per share for the year ended 31 March 2005 includes the weighted average of 89,725,808 shares issued upon the listing of the Company's shares on the Stock Exchange on 13 October 2004 in addition to the pro forma issued share capital of the Company of 872,480,000 shares, comprising (i) the 10,000,000 shares of HK$0.01 each of the Company allotted and issued nil paid on 2 September 2002 *(Note 32(c))*; (ii) the 10,000,000 shares of HK$0.01 each issued as consideration for the acquisition of the entire issued share capital of Wing Hong Investment on 6 September 2004 *(Note 32(d))*; and (iii) the capitalization issue of 852,480,000 shares of HK$0.01 each. *(Note 32(e))*

Diluted loss per share amounts for the years ended 31 March 2006 and 2005 have not been presented as no potential dilutive ordinary shares existed during these years.

16. PROPERTY, PLANT AND EQUIPMENT

Group

	Investment properties HK$'000 (Note (a))	Leasehold improvements HK$'000	Machinery HK$'000	Motor vehicles HK$'000	Furniture, fixture and office equipment HK$'000	Tools and equipment HK$'000	Total HK$'000
Cost or valuation:							
At 1 April 2004	4,600	823	7,719	2,792	3,072	785	19,791
Additions	—	—	—	—	124	—	124
Write off	—	—	—	—	(6)	—	(6)
Disposals	(2,780)	—	(3,500)	(1,336)	(19)	—	(7,635)
Surplus on revaluation	380	—	—	—	—	—	380
At 31 March 2005 and at 1 April 2005	2,200	823	4,219	1,456	3,171	785	12,654
Additions	—	—	—	125	121	—	246
Write off	—	—	—	—	(98)	—	(98)
Disposals	—	—	—	(320)	(118)	—	(438)
Exchange difference	—	—	—	—	6	—	6
Reclassified as non-current assets held for sale	(2,200)	—	—	—	—	—	(2,200)
At 31 March 2006	—	823	4,219	1,261	3,082	785	10,170
Analysis of cost or valuation:							
At cost	—	823	4,219	1,261	3,082	785	10,170
At valuation	—	—	—	—	—	—	—
At 31 March 2006	—	823	4,219	1,261	3,082	785	10,170
Accumulated depreciation:							
At 1 April 2004	—	823	7,261	2,067	2,654	628	13,433
Provided during the year	—	—	395	173	179	70	817
Written off	—	—	—	—	(4)	—	(4)
Disposals	—	—	(3,442)	(1,076)	(7)	—	(4,525)
At 31 March 2005 and at 1 April 2005	—	823	4,214	1,164	2,822	698	9,721
Provided during the year	—	—	1	95	146	61	303
Written off	—	—	—	—	(98)	—	(98)
Written back on disposal	—	—	—	(259)	(72)	—	(331)
Exchange difference	—	—	—	—	3	5	8
At 31 March 2006	—	823	4,215	1,000	2,801	764	9,603
Net book value:							
At 31 March 2006	—	—	4	261	281	21	567
At 31 March 2005	2,200	—	5	292	349	87	2,933

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

Note:

(a) The Group's investment properties are situated in Hong Kong and held under long term leases.

On 25 October 2005, Kofit Properties Limited, a wholly owned subsidiary of the Company, entered into a sales and purchase agreement with two independent third parties, Honest Aluminium Company Limited and Yuan Yin Industrial Works Limited, to sell the investment properties at a total consideration of HK$2,000,000. The transactions were completed on 30 May 2006.

According to HKFRS 5, non-current assets are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction through a continuing use. The investment properties were classified as non-current assets held for sale.

(b) The Group's investment properties were revalued on 31 March 2005 by A.G. Wilkinson & Associates, independent professionally qualified valuers, at HK$2,200,000 on an open market value basis. A revaluation surplus of HK$380,000, resulting from the above valuation, has been credited to the consolidated investment property revaluation reserve during the year.

17. GOODWILL AND NEGATIVE GOODWILL

The amounts of the goodwill and negative goodwill arising from the acquisition of subsidiaries are as follows:

	Group	
	Goodwill *HK$'000* (Restated)	**Negative goodwill** *HK$'000* (Restated)
Cost:		
At 1 April 2004 and at 31 March 2005, as previously reported	12,690	(2,232)
Elimination of accumulated amortisation upon adoption of HKFRS 3	(10,880)	—
Derecognition of negative goodwill against retained profits upon adoption of HKFRS 3	—	2,232
At 1 April 2005, as restated and at 31 March 2006	1,810	—
Accumulated amortisation and impairment/ recognition as income:		
At 1 April 2004	(7,489)	488
Amortisation provided/recognised as income during the year	(625)	97
Impairment provided during the year	(2,766)	—
At 31 March 2005, as previously reported	(10,880)	585
Elimination of accumulated amortisation upon adoption of HKFRS 3	10,880	—
Derecognition of negative goodwill against retained profits upon adoption of HKFRS 3	—	(585)
At 1 April 2005, as restated and at 31 March 2006	—	—
Net book value:		
At 31 March 2006	**1,810**	**—**
At 31 March 2005	1,810	(1,647)

An impairment loss of approximately HK$2,766,000 was charged to the consolidated profit and loss account during the year ended 31 March 2005. The impairment loss was provided by the directors based on estimated recoverable amount of the subsidiary acquired, which was determined based on its value in use.

In prior years, goodwill was amortised on a straight line basis over its estimated useful economic life of 20 years. Following the adoption of HKFRS 3 with effect from 1 April 2005, the Group no longer amortised goodwill. In accordance to the transitional provisions set out in HKFRS 3, the accumulated amortisation of goodwill as at 1 April 2005 has been eliminated against the cost of goodwill as at that date.

17. GOODWILL AND NEGATIVE GOODWILL *(Continued)*

Goodwill is allocated to the Group's cash-generating units ("CGU") identified according to the location of operation and business segment as follows:

	2006	2005
	HK$'000	*HK$'000*
Building construction and renovation works	**1,810**	1,810

The recoverable amount of CGU is determined based on the value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by the management covering one-year period. Cash flow beyond one-year period is extrapolated using the estimated rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

Key assumptions used for value-in-use calculations:

Gross margin	12.65%
Growth rate	—
Discount rate	15.38%

Management determined the budget gross margin based on past performance and its expectations for the market development. The weighted average growth rates used are calculated in accordance with the total amounts as per additional signed contracts. The discount rate was determined by a risk-free rate (the Hong Kong 10-year Exchange Fund Note rate as at the date of valuation), the market return, an estimated beta of the Company (based on 4 comparable companies in the same industry) and company-specific factors.

18. INTEREST IN SUBSIDIARIES

	Company	
	2006	2005
	HK$'000	*HK$'000*
Unlisted investments, at cost	**107,848**	107,848
Amounts due from subsidiaries	**71,547**	56,281
	179,395	164,129

Amounts due from Wing Hong Construction Limited, Wing Hong Contractors Limited and Wing Hong Interior Contracting Limited are unsecured, bear interest at prime rate minus 1.5% per annum and have no fixed terms of repayment.

Amounts due from subsidiaries, other than the three subsidiaries stated above, are unsecured, interest-free and have no fixed terms of repayment.

18. INTEREST IN SUBSIDIARIES *(Continued)*

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued and fully paid-up share/ registered capital	Percentage of equity interests attributable to the Company *Direct*	*Indirect*	Principal activities
Wing Hong Investment Limited	British Virgin Islands	US$1 Ordinary	100%	—	Investment holding
Shing Tak Construction Company Limited	Hong Kong	HK$10,000,000 Ordinary	—	100%	Investment holding
Wing Hong Contractors Limited	Hong Kong	HK$17,750,000 Ordinary	—	100%	Building construction and maintenance works
Wing Hong Construction Limited	Hong Kong	HK$10,000 Ordinary	—	100%	Building construction and renovation works
Wing Hong (China) Limited ("WH (China)")	Hong Kong	HK$100 Ordinary	—	100%	Investment holding
Shanghai Jinjiang Wing Hong Contracting Co. Ltd.* ("Jinjiang Wing Hong")	PRC	RMB12,000,000	—	73%	Renovation works
Wing Hong Interior Contracting Limited	Hong Kong	HK$100 Ordinary	—	100%	Renovation works
Good Busy International Limited	Hong Kong	HK$100 Ordinary	—	100%	Dormant
Cotak Enterprises Limited	Hong Kong	HK$2 Ordinary	—	100%	Dormant
Power Pond Limited	Hong Kong	HK$2 Ordinary	—	100%	Dormant
Wealth Money Limited	Hong Kong	HK$1,000 Ordinary	—	100%	Dormant
Kofit Properties Limited	Hong Kong	HK$1,000 Ordinary	—	100%	Property holding
Wing Hong Engineering and Construction Limited	Hong Kong	HK$10,000 Ordinary	—	100%	Dormant
Wing Hong (Macau) Limited	Macau	MOP100,000	—	100%	Building construction and renovation works

* Jinjiang Wing Hong is registered as a Sino-foreign joint venture under the PRC Law.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

19. INTEREST IN A JOINTLY-CONTROLLED ENTITY

	Group	
	2006	2005
	HK$'000	*HK$'000*
Unlisted shares, at cost	**—**	—
Share of net assets	**—**	—
Amount due from a jointly-controlled entity	**1,651**	1,692
Provision for an amount due from a jointly-controlled entity	**(508)**	(508)
	1,143	1,184

The amount due from a jointly-controlled entity is unsecured, interest-free and has no fixed terms of repayment.

Particulars of the jointly-controlled entity are as follows:

Name	Business structure	Place of incorporation/ registration and operations	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
WH-SCG JV Limited ("WH-SCG")	Corporate	Hong Kong	50	50	50	Building construction and renovation works

The above investment in a jointly-controlled entity is indirectly held by the Company.

20. INTEREST IN AN ASSOCIATE

	Group	
	2006	2005
	HK$'000	*HK$'000*
Share of net assets	**—**	—

Particulars of the associate are as follows:

Name	Business structure	Place of incorporation/ registration and operations	Percentage of ownership interest attributable to the Group	Principal activities
Beatrice Construction Limited	Corporate	Hong Kong	30.625%	Manufacture and trading of pre-cast building materials

The above investment in an associate is indirectly held by the Company.

21. CONSTRUCTION CONTRACTS

	Group 2006 HK$'000	2005 HK$'000
Amount due from customers for contract work	**41,571**	57,064
Amount due to customers for contract work	**(14,152)**	(25,057)
	27,419	32,007
Contract costs incurred plus recognised profits less recognised losses to date	**5,009,377**	3,337,222
Less: Progress billings	**(4,981,958)**	(3,305,215)
	27,419	32,007

22. ACCOUNTS RECEIVABLES

	Group 2006 HK$'000	2005 HK$'000
Within 30 days	**6,182**	82,467
31 — 90 days	**2,122**	979
91 — 180 days	**155**	107
Over 180 days	**120,820**	70,386
	129,279	153,939
Less: Provision for impairment loss on accounts receivables	**(4)**	—
	129,275	153,939

Notes:

(a) The carrying amounts of trade receivables approximate to their fair values.

(b) The movements in provision for impairment losses of trade receivables were as follows:

	Group 2006 HK$'000	2005 HK$'000
At 1 April 2005/2004	**—**	—
Provision for impairment losses for the year	**4**	—
At 31 March 2006/2005	**4**	—

Interim applications for progress payments for contract works are normally made on a monthly basis. The Group allows an average credit period of 60 days to its contract customers. For retention money receivables in respect of contract works, the due dates are usually not more than three months after the issue of statements of the final accounts of the contract works. As at 31 March 2006, no retentions held by customers for contract work were included in accounts receivable (2005: Nil).

22. ACCOUNTS RECEIVABLES *(Continued)*

Included in the Group's accounts receivable balance as at 31 March 2006 were amounts of approximately HK$120,459,000 withheld by a major customers of the Group in respect of disputes between the Group and the customers. Further details of the receivables under dispute are disclosed in Note 2(a) to the financial statements.

Included in the Group's accounts receivable balances as at 31 March 2005 were amounts of approximately HK$18,213,000 withheld by another major customer of a residential development project in Lai Chi Kok, Hong Kong. The accounts receivable balances were fully settled during the year ended 31 March 2006.

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group	
	2006	2005
	HK$'000	*HK$'000*
Prepayments	**192**	655
Deposits and other receivables	**15,118**	17,295
	15,310	17,950

Included in the Group's deposits and other receivables as at 31 March 2006 is an amount of approximately HK$10.8 million, due from a subcontractor (the "Subcontractor") of the Group, representing the costs incurred on behalf of the Subcontractor in relation to a civil engineering works contract (the "Contract") granted by the Civil Engineering Department of the HKSAR Government to the Group. Due to the unsatisfactory performance of the Subcontractor, and pursuant to a supplemental agreement signed between the Group and the Subcontractor in December 2002, the Group had incurred additional costs to engage others to rectify the defects, to complete the incomplete subcontracted works of the Subcontractor and to pay on behalf of the Subcontractor material, labour and related expenses, in order to proceed and complete the subcontracted works. According to the aforesaid supplemental agreement, the Group is entitled to recover from the Subcontractor the aforesaid costs incurred. During the year ended 31 March 2005, the Subcontractor denied the amount payable to the Group and the Group has commenced arbitration proceedings against the Subcontractor to recover the amount due. After consultation with the Group's legal advisors, the directors consider that the Group has valid grounds to recover the amount due from the Subcontractor. However, it is uncertain at this stage as to the outcome of the arbitration and hence the recoverability of the receivable due from the Subcontractor and the time required in relation thereto.

24. AMOUNT DUE TO A DIRECTOR

The amount due to a director was unsecured, interest-free and had no fixed terms of repayment.

25. AMOUNTS DUE TO MINORITY SHAREHOLDERS

The amounts due to minority shareholders were unsecured, interest-free and had no fixed terms of repayment.

26. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash and bank balances	**15,826**	25,486	**2,863**	11,056
Time deposits	**40,864**	9,000	**11,065**	—
	56,690	34,486	**13,928**	11,056
Less: Pledged time deposits for performance bond facilities	**(5,100)**	(9,000)	**—**	—
Cash and cash equivalents	**51,590**	25,486	**13,928**	11,056

27. ACCOUNTS PAYABLES

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

	Group	
	2006	2005
	HK$'000	*HK$'000*
Within 30 days	**2,213**	27,748
31 — 90 days	**4,443**	6,453
91 — 180 days	**20**	557
Over 180 days	**50,305**	37,600
	56,981	72,358

Note: The carrying amounts of trade payables approximate to their fair values.

As at 31 March 2006, no retentions payable are included in accounts payable under current liabilities (2005: Nil).

28. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Other payables and accruals	**3,621**	2,198	**739**	495
Amounts due to related companies	**18**	18	**—**	—
	3,639	2,216	**739**	495
Liabilities directly associated with non-current assets classified as held for sale	**211**	—	**—**	—
	3,850	2,216	**739**	495

The amounts due to related companies are unsecured, interest-free and have no fixed terms of repayment.

29. INTEREST-BEARING BANK BORROWINGS

	Group	
	2006	2005
	HK$'000	*HK$'000*
Bank overdrafts repayable within one year or on demand, unsecured	—	99

The Group's banking facilities (including performance bond facilities) as at 31 March 2006 were secured by the following:

(a) the pledge of the Group's time deposits amounting to approximately HK$5,100,000 (2005: HK$9,000,000);

(b) corporate guarantees executed by the Company up to the extent of HK$55,050,000 (2005: HK$55,050,000) as at 31 March 2006; and

(c) corporate guarantees executed by certain of the Company's subsidiaries.

30. LOANS TO/FROM SHAREHOLDERS

(a) Particulars of the loans to shareholders, disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance, are as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Rich Place Investment Limited ("Rich Place")	**200**	200

The maximum outstanding balance for the loan to Rich Place during the year ended 31 March 2006 amounted to HK$200,000 (2005: HK$200,000).

The loans to Rich Place are unsecured, interest-free and have no fixed terms of repayment.

The entire issued share capital of rich Place is held by RBTT Trust Corporation, a company established in Barbados, acting in its capacity as the trustee of The Wing Hong Trust. The Wing Hong Trust is a discretionary trust whose beneficiaries are the family members of Mr. Hui Kau Mo and include Mr. Hui Chi Yung, both are directors of the Company.

(b) As at 31 March 2006, shareholders' loan amounting to approximately HK$41,419,000 and HK$3,421,000 were granted to the Group by Rich Place and Million Honest Limited ("Million Honest"), respectively.

As at 31 March 2005, shareholders' loans amounting to approximately HK$21,237,000 and HK$1,754,000 were granted by Rich Place and Million Honest, respectively.

The loans from Rich Place and Million Honest are unsecured, bear interest at prime rate minus 2% per annum and repayable in June 2007.

The entire issued share capital of Million Honest is held by Mr. Yiu Kai Yeuk, a director of the Company.

31. DEFERRED TAX

The movements in deferred tax liabilities during the year are as follows:

	Group Accelerated tax depreciation	
	2006	2005
	HK$'000	*HK$'000*
Deferred tax liabilities:		
At 1 April 2005/2004 and at 31 March 2006/2005	**130**	130

There are no deferred tax assets and liabilities recognised for the Group for the year ended 31 March 2006 (2005: Nil).

There are no deferred tax assets and liabilities recognised for the Company for the year ended 31 March 2006 (2005: Nil).

The Group has tax losses arising in Hong Kong and PRC of approximately HK$16,316,000 (2005: HK$9,948,000). Tax losses arising in Hong Kong are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Tax losses arising in PRC may be carried forward for a maximum of four years. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time, or it is not probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

32. SHARE CAPITAL

	2006	2005
	HK$'000	*HK$'000*
Authorised:		
2,000,000,000 (2005: 2,000,000,000) ordinary shares of HK$0.01 each	**20,000**	20,000
Issued and fully paid:		
1,064,000,000 (2005: HK$1,064,000,000) ordinary shares of HK$0.01 each	**10,640**	10,640

32. SHARE CAPITAL *(Continued)*

Changes in authorised capital and issued capital of the Company took place during the period from 27 August 2002 (the date of incorporation) to 31 March 2006 are summarised as follows:

	Notes	**Number of ordinary shares of HK$0.01 each**	**Nominal value of ordinary** *HK$'000*
Authorised:			
Upon incorporated and as at 31 March 2004	*(a)*	10,000,000	100
Increase in authorised share capital	*(b)*	1,990,000,000	19,900
At 31 March 2005 and at 31 March 2006		2,000,000,000	20,000
Issued:			
Upon incorporation		—	—
Allotted and issued nil paid	*(c)*	10,000,000	—
On acquisition of Wing Hong Investment			
— New issue of shares	*(d)*	10,000,000	100
— Nil paid shares credited as fully paid	*(d)*	—	100
Capitalisation issue credited as fully paid conditional on the share premium account of the Company being credited as a result of the issue of the new shares to the public	*(e)*	852,480,000	—
At 31 March 2004 and at 1 April 2004		872,480,000	200
Capitalisation issue through the share premium account as set out above	*(e)*	—	8,525
Issue of shares	*(f)*	191,520,000	1,915
At 31 March 2005 and at 31 March 2006		1,064,000,000	10,640

During the period from 27 August 2002 (date of incorporation) to 31 March 2006, the movements in the share capital of the Company were as follows:

(a) Upon incorporation of the Company, the authorised share capital of the Company was HK$100,000 dividend 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 authorised 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, on aggregate of 10,000,000 shares of HK$0.01 each were allotted and issued nil paid.

32. SHARE CAPITAL *(Continued)*

(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 capitalisation of the sum of HK$8,524,800 standing to the credit of the share premium account of the Company. This allotment and capitalisation 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 by way of placing and public offer. Share issue expenses of approximately HK$7,905,000 were incurred in connection with the Company's initial public offering and were charged to the share premium account *(Note 34(b))*.

Share options

Details of the Company's share option scheme are included in Note 33 to the financial statements.

33. 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. 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.

33. SHARE OPTION SCHEME *(Continued)*

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 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 share 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.

As at the date of approval of these financial statements, 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.

34. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior year are presented in the consolidated statement of changes in equity of the financial statements.

(b) Company

	Share premium account *HK$'000*	Capital reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 April 2004	—	—	—	—
Arising on the Group Reorganisation	—	107,648	—	107,648
Capitalisation issue through the share premium account	(8,525)	—	—	(8,525)
Issue of shares	45,965	—	—	45,965
Share issue expenses	(7,905)	—	—	(7,905)
Net loss for the year	—	—	(490)	(490)
At 31 March 2005 and at 1 April 2006	29,535	107,648	(490)	136,693
Net profit for the year	—	—	314	314
At 31 March 2006	29,535	107,648	(176)	137,007

The capital reserve of the Company represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the Group Reorganisation referred to in Note 1 to the financial statements, over the nominal value of the Company's shares issued in exchange therefore.

34. RESERVES *(Continued)*

(b) Company *(Continued)*

Under the Companies Law (2004 revision) of the Cayman Islands, the Company's share premium account and capital reserve may be distributed to the shareholders of the Company, provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

35. CONTINGENT LIABILITIES

(a) At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

(i) Guarantees given to financial institutions in respect of performance bonds by the Group of approximately HK$5,102,000 (2005: HK$18,882,000).

(ii) Guarantees given to banks in connection with facilities granted to subsidiaries by the Company of approximately HK$55,050,000 (2005: HK$55,050,000).

As at 31 March 2006, the guarantees given to banks in connection with facilities granted to subsidiaries by the Company were utilised to an extent of approximately HK$5,100,000 (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, consider 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 2(a) 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$31,300,000; and (ii) a compensation claim of approximately HK$191,200,000 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 were 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$42,600,000 and HK$84,400,000, respectively. On 9 July 2005, a writ of summons was issued and the proceedings were transferred to the Court of First Instance. The subcontractor further revised the claim of subcontracting fees and material costs and compensation claim to approximately HK$56,000,000 and HK$278,100,000 respectively.

As at the date of approval of these financial statements, no decision had been made in the arbitration and court proceedings. 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.

35. CONTINGENT LIABILITIES *(Continued)*

(d) On 13 August 2003, 21 January 2004, 31 May 2004, 18 June 2004, 14 July 2004, 19 August 2004, 8 October 2004, 5 January 2005, 26 February 2005 and 7 February 2006 seven District Court actions and three 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 judgements 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.

(e) On 13 September 2004, a subsidiary of the Group received a notice of arbitration from a nominated subcontractor in respect of a claim against the subsidiary of the Group in respect of subcontracting works performed in a residential development project in Kowloon Tong, Hong Kong. The amount of claim was approximately HK$26,000,000.

On 5 May 2005, the subsidiary of the Group and the nominated subcontractor agreed to enter into a moratorium period of six months to the arbitration. On 13 April 2006, the subsidiary of the Group and the nominated subcontractor further agreed to suspend the arbitration proceedings for three months subject to the rights to re-active the proceedings upon a three day written notice to the subsidiary of the Group. As at the date of approval of these financial statements, in the opinion of the directors, no written notice has been received from the nominated subcontractor.

In the opinion of the directors, based on legal advice, the claim was related to a payment being withheld in respect of subcontracting work delays and defects caused by the nominated subcontractor, 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 (the "Subcontracted Party") against a subsidiary of the Group and the subcontractor, which is in liquidation, in respect of a claim of subcontracting fees and material costs of approximately HK$20,500,000 relating to a maintenance term contract. On 25 April 2006, the Subcontracted Party substantially revised its statement of claim and the total amount of claim was revised to approximately HK$14,241,000. In the opinion of the directors, based on legal advice, the subcontracted party's claim is equally untenable. The invoices referred to in the amended statement of claim of the subcontracted party did not sit well with the subcontracted party's pleaded case. Therefore, no provision in respect of such claims was made in the financial statements.

(g) On 13 October 2003, a District Court action had commenced by a supplier of materials in respect of claims of approximately HK$108,000 for materials supplied to a subsidiary of the Group. The supplier supplied materials pursuant to various contracts signed with a subcontractor of the subsidiary of the Group. The supplier allegedly claimed that the subsidiary of the Group was the contracting party and had allowed the aforesaid subcontractor to hold themselves as an agent of the subsidiary of the Group. The Group settled the claims by approximately HK$83,000 on 1 September 2005.

35. CONTINGENT LIABILITIES *(Continued)*

(h) On 3 December 2003, arbitration had commenced by a subcontractor against a subsidiary of the Group in respect of (i) claims of subcontracting fees and material costs of approximately HK$0.9 million; and (ii) a compensation claim of approximately HK$6.2 million for the loss and/or expense for extension of time for completion of the subcontracting work. The subcontracting fees and material costs of approximately HK$900,000 are accounted for in the Group's financial statements for the year ended 31 March 2004. The Group settled the claims by approximately HK$1,200,000 on 21 September 2005.

(i) As at 31 March 2006, the Group has liabilities in respect of possible future long service payments to employees under the Employment Ordinance of approximately HK$165,000 (2005: HK$390,000). Provision for the possible long service payments has been provided in these financial statements for the year ended 31 March 2006.

Saved as disclosed above, as at 31 March 2006, the Group and the Company had no other material contingent liabilities.

36. OPERATING LEASE COMMITMENTS

(a) Operating lease commitments

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:

	The Group	
	2006	2005
	HK$'000	*HK$'000*
Within one year	**406**	656
In the second to fifth years, inclusive	**924**	62
	1,330	718

(b) Capital commitments

As at 31 March 2006, the Group and the Company did not have any material capital commitments.

37. MATERIAL 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 year:

(a) Key management personnel

Remuneration for key personnel management, including amount paid to the Company's directors and certain of the highest paid employee, as disclosed in Note 10 and 11, is as follows:

	The Group	
	2006	2005
	HK$'000	*HK$'000*
Salaries and other short-term employee benefits	**4,838**	4,799

(b) Transactions carried out with related parties

		The Group	
		2006	2005
	Note	***HK$'000***	*HK$'000*
Office rental expense paid to First Win (Asia) Limited	*(i)*	**654**	659
Management fees received from WH-SCG, a jointly-controlled entity	*(ii)*	**13**	567
Renovation fees received from Shanghai Jinjiang International Investment Co. Ltd ("Jinjiang") and its subsidiaries and associates	*(iii)*	**7,706**	11,731

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

(c) As at 31 March 2006, shareholders' loans amounting to approximately HK$41,419,000 and HK$3,421,000 were granted by two shareholders of the Company, Rich Place and Million Honest, respectively. The terms of the shareholders' loans are included in Note 30(b) to the financial statements.

(d) As at 31 March 2006, a loan in the amount of HK$200,000 was made to a shareholder. The terms of the loan are included in Note 30(a) to the financial statements.

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 subsidiaries of the Group. 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.

38. COMPARATIVES

As further explained above, due to the adoption of the new and revised HKFRSs during the current year, the accounting treatment and presentation of certain items in the consolidated accounts have been revised to comply with the new requirements. Accordingly, certain comparatives have been restated to conform with the current year presentation.

39. SUBSEQUENT EVENTS

On 25 October 2005, Kofit Properties Limited, a wholly owned subsidiary of the Company, entered into a sales and purchase agreement with two independent third parties, Honest Aluminium Company Limited and Yuan Yin Industrial Works Limited, to sell the investment properties at a total consideration of HK$2,000,000. The transactions were completed on 30 May 2006. As at 31 March 2006, the net book value of the investment property was HK$2,200,000.

40. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 25 July 2006.