WING HONG (HOLDINGS) LIMITED

榮康(控股)有限公司*

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 745

2007 ANNUAL REPORT

*For indentification purpose only

Contents

Corporate Information

DIRECTORS

Executive Directors

Mr. Hui Chi Yung *(Chairman)*
Mr. Yiu Kai Yeuk, Raphael
Mr. Hui Kau Mo

Independent Non-Executive Directors

Mr. Liu Kwong Sang
Mr. Sit Hing Wah
Dr. Hu Chung Kuen, David

AUDIT COMMITTEE

Mr. Liu Kwong Sang
Mr. Sit Hing Wah
Dr. Hu Chung Kuen, David

COMPANY SECRETARY

Mr. Shea Chun Lok *B. Bus., CPA, FCPA (Aust.)*

QUALIFIED ACCOUNTANT

Mr. Tam Ping Kuen, Daniel *MSc, CPA, FCCA*

AUDITORS

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

REGISTERED OFFICE

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KYI-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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Hong Kong

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CAYMAN ISLAND PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Bank of Butterfield International (Cayman) Ltd.
Butterfield House, 68 Port Street
P.O. Box 705, George Town
Grand Cayman, Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Hong Kong

ORDINARY SHARE LISTING

Main Board of The Stock Exchange of Hong Kong Limited
(Stock code: 745)

Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors (the "Board" or the "Directors") of Wing Hong (Holdings) Limited (the "Company"), I present the annual results of the Company and its subsidiaries (collectively refer to the "Group") for the fiscal year ended 31 March 2007.

BUSINESS REVIEW

Our core businesses are building construction and renovation and fitting out works. Majority of the group turnover was derived from building construction during the year under review.

For the year ended 31 March 2007, the Group recorded a turnover of approximately HK$64.4 million in comparing to HK$152.7 million in fiscal 2006. Net loss attributable to equity holders of the Company for this fiscal year was HK$20.4 million, as compared with HK$15.0 million recorded in last fiscal year.

PROSPECT

It is expected that the market conditions in Hong Kong construction industry will remain difficult this year, so the Group will continue its cost control policy.

On the other hand, the Group may seek for strategic partners to explore any business opportunities to improve the capital structure.

APPRECIATION

I would like to thank all our shareholders for their continual support and to all our staff their contributions.

Hui Chi Yung
Chairman

Hong Kong, 26 July 2007

Management Discussion and Analysis

BUSINESS REVIEW

Building construction industry

Although the Hong Kong economy is booming than ever before, the building construction industry cannot benefit much. The continuing increase in material costs and the ongoing reduction in building construction contracts in the market are the main reasons for the depression in the industry. It was undoubtedly that most of the companies in the construction business are surviving hardly.

To maintain a reasonable level of safety at site, some essential costs cannot be reduced. Thus, the Group may not be the one with the lowest tender, but we are the one with quality services.

Renovation and fitting out works

There were lots of small scale renovation works in the market, however, it was not appropriate for our company to step into this market.

FINANCIAL REVIEW

Liquidity and financing

There were no bank borrowings as at 31 March 2007 (2006: Nil). The Group's cash and bank deposits were approximately HK$37.3 million (2006: HK$56.7 million).

The Group's gearing ratio, calculated by aggregate of interest-bearing borrowings, loans from shareholders and other non-current liabilities over total assets, decrease to 17.2% at 31 March 2007 from 18.0% at 31 March 2006.

Treasury policies

Cash and bank deposits of the Group are either in HK dollars or RMB.

The Group conducts its core business transaction mainly in HK dollars and RMB such that the Group did not use any derivative instruments to hedge its foreign currency exposure as the Group considered its foreign currency exposure is insignificant.

Pledge of assets

As at 31 March 2007, the Group had approximately HK$5.1 million (2006: HK$5.1 million) of certain time deposits pledged for performance bond facilities.

Use of proceeds

On 20 December 2006, 146,830,000 ordinary shares of HK$0.01 each were issued at a price of HK$0.041 each through placing of existing shares and subscription for new shares. The net proceeds from the subscription of new shares were approximately HK$5,900,000. These proceeds intended to be used for general working capital of the Group have been fully utilised to pay general operating and administrative expenses.

Employment information

On 31 March 2007, the Group had 47 full time employees (31 March 2006: approximately 67 employees), the majority of whom are employed in Hong Kong. They are remunerated at market level with benefits such as medical, retirement benefit and share option scheme.

Report of the Directors

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in Note 18 to the financial statements.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 March 2007 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 21 to 73.

The directors do not recommend the payment of any dividend in respect of the year.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and minority interests of the Group is set out on page 74 of the annual report. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year, together with the reasons therefor, are set out in Note 32 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the Companies Law (2004 Revision) of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to the existing shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 March 2007, neither the Company nor its subsidiaries purchased, sold or redeemed any of its listed securities.

RESERVES

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

Report of the Directors

DISTRIBUTABLE RESERVES

At 31 March 2007, the Company's reserves available for distribution, calculated in accordance with the provisions of the Companies Law (2004 Revision) of the Cayman Islands, amounted to approximately HK$142,306,000. The distributable reserves include the Company's share premium and capital reserve, in a total of approximately HK$141,734,000 as at 31 March 2007, which may be distributed, 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.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's 5 largest customers accounted for 65.49% of the total sales for the year and sales to the largest customer included therein amounted to 23.46%. The aggregate purchases during the year attributable to the Group's 5 largest suppliers were less than 30% of the Group's total purchases.

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

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors:

Mr. Hui Chi Yung *(Chairman)*
Mr. Yiu Kai Yeuk, Raphael
Mr. Hui Kau Mo

Independent non-executive directors:

Mr. Liu Kwong Sang
Mr. Sit Hing Wah
Dr. Hu Chung Kuen, David

In accordance with articles 86(3), 87(1) and (2) of the Company's articles of association, Mr. Hui Chi Yung and Mr. Yiu Kai Yeuk, Raphael will retire by rotation and being eligible, will offer themselves for re-election at the forthcoming Annual General Meeting. The independent non-executive directors are appointed for a period one year commencing from 1 September 2006.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 16 to 17 of the annual report.

Report of the Directors

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company for an initial term of three years commencing from 1 September 2004. Each of the executive Directors is entitled to the respective basic salaries set out below (subject to an annual increment after each completed year of service at a rate to be determined at the sole and absolute discretion of the board of Directors). In addition, the executive Directors are also entitled to a discretionary bonus as the board of Directors may in its absolute discretion determine having regard to the performance of the executive Director and the operating results of the Group in respect of any financial year of the Company. An executive Director may not vote on any resolution of the Directors regarding the amount of the bonus payable to him. Furthermore, the executive Directors are entitled to all reasonable medical expenses as provided under the Group's medical benefits scheme. In addition, the executive Directors may, at the sole and absolute discretion of the board of Directors, be eligible to participate in any share option scheme from time to time adopted by the Company in accordance with the terms and conditions of such share option scheme. The current basic monthly salaries of the executive Directors are as follows:

Name	**Amount** *HK$*
Mr. Hui Chi Yung	68,800
Mr. Yiu Kai Yeuk, Raphael	139,800

The independent non-executive Directors have been appointed for a term of 1 year commencing from 1 September 2006. The Company intends to pay a director's fee of HK$20,000 per annum to each of the independent non-executive Directors. Save for the director's fee, none of the independent non-executive Director is expected to receive any other remuneration for holding their office as an independent non-executive Director.

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

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in Note 37 to the financial statement, no director had a material beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Report of the Directors

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 31 March 2007, the interests and short positions of the directors in the share capital and underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long position in Shares, underlying shares and debentures of the Company or its associated corporations:

Name of Director	Company/name of associated corporation	Capacity	Number and class of securities/approximate shareholding percentage *(Note 1)*
Mr. Hui Chi Yung	Company	Settlor/Founder of The Wing Hong Trust *(Note 2)*	608,118,560 Shares/ 50.22% (L)
	Rich Place Investment Limited	Settlor/Founder of The Wing Hong Trust *(Note 3)*	1 ordinary share 100% (L)
Mr. Yiu Kai Yeuk Raphael	Company	Corporate interest *(Note 4)*	68,053,440 Shares/ 6.4%(L)
	Beatrice Construction Limited	Beneficial owner	96,000 ordinary shares/ 10%(L)
Mr. Hui Kau Mo	Company	Settlor/Founder of The Wing Hong Trust *(Note 2)*	608,118,560 Shares/ 50.22% (L)
	Rich Place Investment Limited	Settlor/Founder of The Wing Hong Trust *(Note 3)*	1 ordinary share 100% (L)

Notes:

1. The letter "L" denotes the Director's long position in such securities.

2. These shares are held by Rich Place Investment Limited which is wholly owned by RBTT Trust Cooperation ("RBTT"). RBTT is the trustee of The Wing Hong Trust, a discretionary trust whose beneficiaries are the family members of Mr. Hui Kau Mo.

3. The share is held by RBTT. RBTT is the trustee of The Wing Hong Trust, a discretionary trust whose beneficiaries are the family members of Mr. Hui Kau Mo.

4. These shares are held by Million Honest Limited, the entire issued share capital of which is held by Mr. Yiu Kai Yeuk, Raphael.

Save as disclosed above, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save for the share option scheme of the Company, at no time during the year were there any rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

Particulars of the share option scheme of the Company are disclosed in Note 33 to the financial statements. Since adoption of the share option scheme, no share option has been granted.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 March 2007, the interests and short positions (other than the directors of the Company) of 5% or more of the issued share capital and share options of the Company were recorded in the register of interests in the shares and underlying shares of the Company, as required to be kept by the Company pursuant to Section 336 of the SFO, were as follows:

Long position in shares, underlying shares and debentures of the Company or its associated corporations:

Name	**Company/Group Member**	**Capacity**	**Class and number of securities/approximate shareholding percentage** *(Note 1)*
The Wing Hong Trust	Company	Beneficial owner *(Note 2)*	608,118,560 Shares/ 50.22%(L)
Chin Ivan	Company	Beneficial owner	104,920,000 Shares/ 8.67%(L)
Million Honest Limited	Company	Beneficial owner *(Note 3)*	68,053,440 Shares/ 5.62% (L)

Notes:

1. The letter "L" denotes the long position in such securities.
2. These shares are held by Rich Place Investment Limited. The entire issued share capital of Rich Place Investment Limited is held by RBTT, acting in its capacity as the trustee of The Wing Hong Trust, a discretionary trust whose beneficiaries are the family members of Mr. Hui Kau Mo.
3. The entire issued share capital of Million Honest Limited is beneficially owned by Mr. Yiu Kai Yeuk, Raphael.

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

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

Connected transactions and continuing connected transactions undertaken by the Group during the year are set out in Note 37 to the financial statements.

The independent non-executive directors of the Company have reviewed and confirmed that the continuing connected transactions entered into by the Group were (i) in the ordinary course of the Group's business either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; (ii) in accordance with term that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and (iii) within the prescribed limits as set out in the waiver letters in respect of connected transactions granted by the Stock Exchange to the Company.

PUBLIC FLOAT

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

ANNUAL CONFIRMATION OF INDEPENDENCE

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

AUDITORS

Messrs. HLB Hodgson Impey Cheng were appointed as the auditors of the Company with effect from 17 July 2006 in succession to Messrs. Ernst & Young who resigned from the office on 10 March 2006. Messrs. Ernst & Young were appointed as the first auditors of the company for the year ended 31 March 2005. Messrs. HLB Hodgson Impey Cheng will retire and, being eligible, offer themselves for re-appointment as auditors of the Company at the forthcoming annual general meeting.

On Behalf of the Board

Hui Chi Yung
Chairman

Hong Kong, 26 July 2007

Corporate Governance Report

The board of directors (the "Board") recognises the importance of corporate governance to the Company's healthy growth and is dedicated to maintaining good standards of corporate governance so as to enhance corporate transparency and protect the interests of shareholders.

The Company has complied with all the code provisions in the Code of Corporate Governance Practices ("CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") during the financial year ended 31 March 2007 (the "Year") except for the following deviations:

Code Provision A.2.1 stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. The Company does not have a separate Chairman and Chief Executive Officer and Mr. Hui Chi Yung currently holds both positions. The Board believes that vesting the roles of Chairman and Chief Executive Officer in the same person provides the Group with strong and consistent leadership in the development and execution of long-term business strategies.

The key corporate governance principles and practices of the Company are summarized as follows:

THE BOARD

Responsibilities

The overall management of the Company's business is vested in the Board, which assumes the responsibility for leadership and control of the Company and is collectively responsible for promotion of the success of the Company by directing and supervising its affairs. All directors should take decisions objectively in the interests of the Company.

The Board takes the responsibility for all major matters of the Company including: the approval and monitoring of all policy matters, overall strategies, internal control and risk management systems, appointment and retirement of directors and other significant financial and operational matters.

The executive directors are responsible for overseeing the day-to-day management of the Company's operations and implementation of the strategies set by the Board.

Composition

The composition of the Board ensures a balance of skills and experience appropriate to the requirements of the business of the Company and to the exercising of independent judgment.

The Board of the Company comprised the following directors:

Executive Directors

Mr. Hui Chi Yung *(Chairman)*
Mr. Yiu Kai Yeuk, Raphael
Mr. Hui Kau Mo

Independent Non-executive Directors

Mr. Liu Kwong Sang
Mr. Sit Hing Wah
Dr. Hu Chung Kuen, David

Corporate Governance Report

The names and biographical details of each director are disclosed on pages 16 to 17 of this Annual Report. Mr. Hui Kau Mo is the father of Mr. Hui Chi Yung. They are both interested in 608,118,560 shares as disclosed on page 8 of this annual report. Except as disclosed, there is no other relationship (including financial, business, family or other material relationship) among the members of the Board.

During the Year, the Board at all times met the requirements of the Listing Rules relation to the appointment of at least 3 independent non-executive directors with at least 1 independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise.

The Company confirms that it has received from each of the independent non-executive directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company considers the independent non-executive directors are independent.

Each of the independent non-executive directors is appointed for a term of one year expiring on 1 September 2007 and they are also subject to retirement by rotation in accordance with the Company's Articles of Association. Regular Board meetings are held for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company.

During the Year, 12 Board meetings were held and the attendance of individual directors was as follows:

Name of directors	**Attendance**
Mr. Hui Chi Yung *(Chairman)*	12/12
Mr. Yiu Kai Yeuk, Raphael	12/12
Mr. Hui Kau Mo	6/12
Mr. Liu Kwong Sang	4/12
Mr. Sit Hing Wah	2/12
Dr. Hu Chung Kuen, David	4/12

The Chairman is responsible for providing leadership for the Board and ensuring that the Board works effectively and that all key and appropriate issues are discussed by the Board on a timely manner, formulating the investment strategies, monitoring the investment performance and approving investment decisions.

BOARD COMMITTEES

In order to strengthen the functions of the Board and to oversee particular aspects of the Company's affairs, two committees has been established, namely, the Remuneration Committee and the Audit Committee. Both committees are established with defined written terms of reference.

Remuneration Committee

The Board has established a Remuneration Committee comprising one executive director and three independent non-executive directors, namely, Mr. Hui Chi Yung, Mr. Liu Kwong Sang, Mr. Sit Hing Wah and Dr. Hu Chung Kuen, David, Mr. Liu Kwong Sang is the chairman of the Remuneration Committee. The primary objective for setting up the Remuneration Committee is to comply with the Code Provision as set out in the CG Code. Its responsibilities are to review and consider the Company's policy for remuneration of directors and senior management, to recommend to the Board the remuneration packages of executive directors, non-executive director and the senior management.

The Remuneration Committee held one meeting during the Year. Details of individual attendance of its members are set out below:

Name of directors	Attendance
Mr. Hui Chi Yung	1/1
Mr. Liu Kwong Sang	1/1
Mr. Sit Hing Wah	0/1
Dr. Hu Chung Kuen, David	1/1

During the year, the remuneration committee had reviewed and considered, inter alia, the remuneration policy of the Company and the remuneration of the directors and senior management.

Audit Committee

The Audit Committee comprised three independent non-executive directors, Mr. Liu Kwong Sang is the Chairman of the Audit Committee.

The main duties of the Audit Committee include the following:

(1) To review the financial statements and reports and consider any significant or unusual items by the qualified accountant, compliance officer or external auditors before submission to the Board.

(2) To review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditors.

(3) To review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

The Audit Committee held two meetings during the Year. Details of individual attendance of its members are set out below:

Name of directors	Attendance
Mr. Liu Kwong Sang	2/2
Mr. Sit Hing Wah	0/2
Dr. Hu Chung Kuen, David	2/2

During the year, the audit committee had reviewed and considered, inter alia, the annual results for the year ended 31 March 2006 and the interim results for the six months ended 30 September 2006.

OTHER INFORMATION

The Board has not established a nomination committee. According to the articles of association of the Company, the Board has the power from time to time and at any time to appoint any person as a director either to fill a casual vacancy or as an addition to the Board. In assessing nomination of new directors, the Board will take into consideration of the nominee's qualification, ability and potential contributions to the Company. There was no change of the composition of the Board during the year under review.

Corporate Governance Report

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. All directors have confirmed, following specific enquiry by the Company, that they have fully complied with the Model Code throughout the Year.

AUDITORS' REMUNERATION

The Audit Committee reviews each year with the external auditors of the Company with regards their independence, approves their appointment, discusses the scope of their audit, approves their fees, and the scope and appropriate fees for any non-audit services requested to be provided by them. During the Year, the fees paid to the Company's auditors in respect of audit services amounted to HK$500,000.

No non-audit services were provided by the Company's auditors for the Year.

The statement of the external auditors of the Company about their reporting responsibilities on the financial statements is set out in the "Independent Auditors' Report" on pages 18 and 20.

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirement. The directors acknowledge their responsibility for preparing the financial statements of the Company for each financial year which gives a true and fair view of the state of the Company.

The financial statements of the Group for the year ended 31 March 2007 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 24 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. For additional details of these fundamental uncertainties relating to the going concern, please refer to Independent Auditors' Report on pages 18 to 20 and Note 3 to financial statements on page 31 to 32.

INTERNAL CONTROL

The Board has overall responsibility for the establishment, maintenance and review of the Company's internal control system. The Company has established an internal control system and the Board will conduct review on the effectiveness of the system and report the result of the review to the shareholders.

Corporate Governance Report

SHAREHOLDER COMMUNICATION

The objective of shareholder communication is to provide our shareholders with detailed information about the Company so that they can exercise their rights as shareholders in an informed manner.

The Company uses a range of communication tools to ensure its shareholders are kept well informed of key business imperatives. These include annual general meeting, annual report, various notices, announcements and circulars. Procedure for voting by poll has been included in circular of the Company accompanying notice convening general meeting and has been read out by the Chairman at the general meeting.

At the 2006 annual general meeting, a separate resolution was proposed by the Chairman in respect of each separate issue, including re-election of directors. The Chairman of the Board and members of Audit Committee and Remuneration Committee attended the 2006 Annual General Meeting to answer questions of shareholders.

Biographical Details of Directors and Senior Management

DIRECTORS

Executive Directors

Mr. Hui Chi Yung, aged 43, is an executive Director. Mr. Hui joined the Group in July 1993. He is responsible for formulating and implementation of the business strategy of the Group's operations and finding business opportunities. Prior to joining the Group, Mr. Hui engaged in the engineering field and was responsible for managing the construction of a condominium and a 3-storey apartment site situated in Canada. Mr. Hui holds a bachelor degree of Applied Science in Electrical Engineering obtained from the University of British Columbia, Canada in 1993. Mr. Hui is a son of Mr. Hui Kau Mo and the brother of Mr. Hui Chi Yang.

Mr. Yiu Kai Yeuk, Raphael, aged 63, is the general manager and an executive Director. Mr. Yiu joined the Group in February 1992 and is responsible for the project management, tendering, procurement and subcontracting. Mr. Yiu has more than 20 years of working experience in the construction industry and 10 years of experience as an engineer. Prior to joining the Group, Mr. Yiu was a director and the general manager of Sung Foo Kee, Ltd. and Shui Ho Construction Co. Ltd. Mr. Yiu graduated from the University of Hong Kong in 1967 with a bachelor degree of Science in Engineering and is a Registered Professional Engineer. Mr. Yiu is also a member of each of the Hong Kong Institution of Engineers, the Institution of Structural Engineers and the Institution of Civil Engineers in the United Kingdom.

Mr. Hui Kau Mo, aged 74, is an executive Director. Mr. Hui joined the Group in March 1992 and left the management team in December 1995 and rejoined the Group in August 2003. Mr. Hui is the father of Mr. Hui Chi Yung and Mr. Hui Chi Yang. He is responsible for sales, marketing and business development of the Group, especially in the PRC. Mr. Hui also serves as a non-executive director of abc Multiactive Limited, a software company listed on the Growth Enterprise Market of the Stock Exchange.

Independent Non-Executive Directors

Mr. Sit Hing Wah, aged 84, is an independent non-executive Director. He was appointed as an independent non-executive Director in September 2002. Mr. Sit founded The Federation of Hong Kong Travellers Ltd. in the 70s with other professionals in the tourism industry and is currently its Honorary Chairman. Furthermore, Mr. Sit has also set up the Hong Kong Health Care Association On Aging in 2001 and is now its chairman.

Dr. Hu Chung Kuen, David, aged 53, is an independent non-executive Director of the Group. He was appointed as an independent non-executive Director in September 2002. Dr. Hu graduated with honours from the University of Minnesota, U.S. with Bachelor degree in Science in 1975 and obtained the M.D. degree from the School of Medicine, Washington University, U.S. in 1979. He completed his Internal Medicine residency at Vancouver General Hospital, Canada in 1982 and Cardiology Fellowship at Mayo Graduate School of Medicine, U.S. in 1985. Since then, Dr. Hu has been practiced as a Clinical Assistant Professor at the University of British Columbia and has completed a clinical fellowship in International Cardiology at Beth Israel Deaconess Medical Center, Harvard Medical School, U.S., Dr. Hu returned to Hong Kong and commenced private practice. Dr. Hu not only has fellowships of Hong Kong College of Physicians, Hong Kong Academy of Medicine, the Royal College of Physicians of Canada and American College of Cardiology but in addition he has Memberships in the Royal College of Surgeons of England, the Hong Kong College of Cardiology, and Canadian Cardiovascular Society.

Mr. Liu Kwong Sang, aged 45, is currently a practicing certified public accountant in Hong Kong with more than 18 years of experience in accounting profession. Mr. Liu graduated from Hong Kong Polytechnic University with a bachelor degree in Accountancy (with honours) and obtained a master degree in business administration from the University of Linclon, United Kingdom. He is an associate member of the Institute of Chartered Accountants in England and Wales, a fellow member of the Association of Chartered Certified Accountants, a fellow member of the Institute of Financial Accountants and a fellow member of the National Institute of Accountants, Australia. Mr. Liu is also a fellow member of Hong Kong Institute of Certified Public Accountants, a fellow member of the Taxation Institute of Hong Kong, a fellow member of the Society of Registered Financial Planners. Mr. Liu acts as independent non-executive directors of certain listed companies listed on the Stock Exchange of Hong Kong and a company listed on the American Stock Exchange.

Biographical Details of Directors and Senior Management

SENIOR MANAGEMENT

Mr. Siu Wang Chi, aged 54, is the contract manager of the contract and quantity surveying department in the construction division of the Group and has been with the Group since May 1992. He has over 25 years of experience in contracting, estimating, tendering and quantity surveying in the public and private sectors of the building and civil engineering industries in Hong Kong. In 1997, Mr. Siu had a short engagement with Davis, Langdon & Seah (Hong Kong) as team leader resident in Beijing, the PRC. During the period from 1992 to 1997, Mr. Siu was a senior quality surveyor and then promoted to the manager of the estimating and sub-letting department in the construction division of the Group. Mr. Siu holds a higher certificate in Structural Engineering from the Hong Kong Polytechnic University.

Mr. Lee Wing Hon, aged 49, is the electrical and mechanical manager of the Group who joined the Group since September 1996. He has 20 years of experience in the building services field of the construction industry. He is responsible for the overall site and contractual matters with respect to the electrical & mechanical aspects of each project, ensuring the specified requirements on the building services performance are met and making certain that projects are complete within the predetermined period in an efficient and profitable manner. Mr. Lee served as a project manager for ATAL Engineering Limited since 1981. Prior to joining the Group from year 1991 to 1994, Mr. Lee was the application engineer of Northern Industrial in Canada. Mr. Lee is a Professional Engineer registered in Canada and a Chartered Engineer of the United Kingdom.

Independent Auditors' Report

HLB 國衛會計師事務所
Hodgson Impey Cheng

Chartered Accountants
Certified Public Accountants

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

TO THE SHAREHOLDERS OF
WING HONG (HOLDINGS) LIMITED
(incorporated in the Cayman Islands with limited liability)

We were engaged to audit the consolidated financial statements of Wing Hong (Holdings) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as set out on pages 21 to 73, which comprise the consolidated balance sheet and the Company balance sheet as at 31 March 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

Except for the limitation in the scope of our work as explained below, we conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement. However, because of the matter described in the basis of disclaimer of opinion paragraph, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Independent Auditors' Report

BASIS FOR DISCLAIMER OF OPINION

Significant uncertainty and limitation of audit scope relating to the recoverability of accounts receivable and arbitration

As described in Note 3 to the financial statements, the Group commenced arbitration against a major customer ("Case 1") to recover the accounts receivable of the Group, representing an amount recorded based on architects' certificate, of approximately HK$120,459,000 (the "Receivable Under Dispute"). Subsequently a counter claim was made by the major customer against the Group in relation to the disputes on claims arising from liquidated damages and alleged environmental related damages in relation to main contract works in a residential development project carried out in Hong Kong ("Case 2") in the amount of approximately HK$122,480,000. In respect of Case 1 and Case 2, the parties are undergoing on arbitration and negotiation process and the outcome of the arbitration has not been finalised as of the date of approval of these financial statements.

As a result of the uncertainty of the timing and the outcome of Case 1, we are unable to ascertain as to how much and when the accounts receivable of the major customer would be recoverable or whether the full amount might be recoverable. There were no other practical satisfactory audit procedures that we could adopt to assess the carrying value of the accounts receivable of the major customer. Any adjustments to the carrying value of the accounts receivable of the major customer that might have been necessary should evidence become available to us may have a consequential significant effect on the net assets of the Company and the Group as at 31 March 2007 and the loss of the Group for the year then ended.

As a result of the uncertainty of the timing and the outcome of Case 2, we are unable to ascertain the possible result of Case 2 against the Group in relation to the disputes on claims arising from liquidated damages and alleged environmental related damages in relation to main contract works in a residential development project carried out in Hong Kong. The future settlement of Case 2 could result in additional liabilities of the Group. Any adjustments to the additional liabilities of Case 2 that might have been necessary should evidence become available to us may have a consequential significant effect on the net assets of the Company and the Group as at 31 March 2007 and the loss of the Group for the year then ended.

Significant uncertainty and limitation of audit scope relating to recoverability of other receivable and arbitration

As described in Note 24 to the financial statements, the Group commenced arbitration against a subcontractor ("Case 3") to recover the other receivable of the Group in the amount of approximately HK$10,400,000 (the "Receivable"). Case 3 is in respect of costs incurred on behalf of the subcontractor arising from execution of a civil engineering works contract in Hong Kong. Although the directors of the Company, after consultation with their legal advisors, are of the view that the Group has valid grounds to recover the Receivable, the outcome of such arbitration cannot be determined as at the date of approval of these financial statements.

As a result of the uncertainty of the timing and the outcome of Case 3 we are unable to ascertain as to how much and when the other receivable of the subcontractor would be recoverable or whether the full amount might be recoverable. There were no other practical satisfactory audit procedures that we could adopt to assess the carrying value of the other receivable of the subcontractor. Any adjustments to the carrying value of the other receivable of the subcontractor that might have been necessary should evidence become available to us may have a consequential significant effect on the net assets of the Company and the Group as at 31 March 2007 and the loss of the Group for the year then ended.

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

Independent Auditors' Report

Significant uncertainties relating to the going concern basis of the Group

In forming our opinion we have considered the adequacy of the disclosures made in Note 3 to the financial statements concerning the adoption of the going concern basis on which the financial statements have been prepared. As explained in Note 3 to the financial statements, the directors are currently undertaking measures to satisfy its working capital needs and improve the liquidity position of the Group.

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

DISCLAIMER OF OPINION: DISCLAIMER ON VIEW GIVEN BY THE FINANCIAL STATEMENTS

Because of the significance of the possible effects of the limitation in evidence available to us relating to the matters referred to the above paragraphs, we are unable to form an opinion as to whether the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2007 or of the loss and cash flows of the Group for the year then ended and as to whether the financial statements have been properly prepared in accordance with the disclosure requirements of the Companies Ordinance.

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

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

Hong Kong, 26 July 2007

Consolidated Income Statement

For the year ended 31 March 2007

	Note	2007 HK$'000	2006 HK$'000 (Restated)
Turnover — contract revenue	7	**64,368**	152,701
Contract cost		**(64,508)**	(145,469)
Gross (loss)/profit		**(140)**	7,232
Other revenue	7	**2,024**	1,873
Other income	8	**1,223**	36
Administrative expenses		**(21,759)**	(21,777)
Other operating expenses		**(4)**	(4)
Loss from operating activities	8	**(18,656)**	(12,640)
Finance costs	9	**(2,528)**	(1,851)
Loss before tax		**(21,184)**	(14,491)
Taxation	12	**48**	78
Loss for the year		**(21,136)**	(14,413)
Attributable to:			
— Equity holders of the Company		**(20,411)**	(15,004)
— Minority interest		**(725)**	591
		(21,136)	(14,413)
Dividends	14	**—**	—
Loss per share attributable to equity holders of the Company			
— Basic	15	**(HK18.47 cents)**	(HK14.10 cents)
— Diluted	15	**N/A**	N/A

All of the Group's operations are classed as continuing.

The accompanying notes form an integral part of these financial statements.

Consolidated Balance Sheet

At 31 March 2007

	Note	2007 HK$'000	2006 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	16	**357**	567
Goodwill	17	**1,810**	1,810
Available-for-sale financial assets	19	**1,596**	—
Interest in a jointly-controlled entity	20	**1,247**	1,143
		5,010	3,520
Current assets			
Amount due from customers for contract work	22	**38,020**	41,571
Accounts receivable	23	**121,507**	129,275
Prepayments, deposits and other receivables	24	**14,915**	15,310
Loan to a shareholder	30(a)	**200**	200
Tax recoverable		**606**	674
Pledged time deposits	25	**5,100**	5,100
Cash and cash equivalents	25	**32,239**	51,590
		212,587	243,720
Non-current assets classified as held for sale		**—**	2,200
Total assets		**217,597**	249,440
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	32	**12,108**	10,640
Reserves	34(a)	**100,430**	115,529
		112,538	126,169
Minority interests		**2,569**	3,294
Total equity		**115,107**	129,463

Consolidated Balance Sheet

At 31 March 2007

	Note	2007 HK$'000	2006 HK$'000
LIABILITIES			
Non-current liabilities			
Loan from shareholders	30(b)	**37,372**	44,840
Deferred tax	31	**18**	130
		37,390	44,970
Current liabilities			
Amount due to customers for contract work	22	**10,064**	14,152
Accounts payable	26	**50,455**	56,981
Tax payable		**20**	24
Other payables and accruals	27	**4,561**	3,639
		65,100	74,796
Liabilities directly associated with non-current assets classified as held for sale	27	**—**	211
		65,100	75,007
Total liabilities		**102,490**	119,977
Total equity and liabilities		**217,597**	249,440
Net current assets		**147,487**	170,913
Total assets less current liabilities		**152,497**	174,433

Approved by the Board of Directors on 26 July 2007 and signed on its behalf by:

Hui Chi Yung
Director

Yiu Kai Yeuk, Raphael
Director

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2007

	Attributable to equity holders of the Company								
	Issued share capital *HK$'000*	Share premium account *HK$'000*	Capital reserve *HK$'000* *(Note (a))*	Available-for-sale financial assets fair value reserve *HK$'000*	Investment property revaluation reserve *HK$'000*	Exchange translation reserve *HK$'000*	Retained profits *HK$'000*	Minority interests *HK$'000*	Total *HK$'000*
Balance at 1 April 2005, as previously reported	10,640	29,535	9,800	—	410	—	88,841	2,703	141,929
Opening adjustment for the adoption of HKAS 40	—	—	—	—	(410)	—	410	—	—
Opening adjustment for the adoption of HKFRS 3	—	—	—	—	—	—	1,647	—	1,647
Balance at 1 April 2005, as restated	10,640	29,535	9,800	—	—	—	90,898	2,703	143,576
Exchange differences	—	—	—	—	—	300	—	—	300
Net income recognised directly in equity	—	—	—	—	—	300	—	—	300
Loss for the year	—	—	—	—	—	—	(15,004)	591	(14,413)
Balance at 31 March 2006 and 1 April 2006	10,640	29,535	9,800	—	—	300	75,894	3,294	129,463
Exchange differences	—	—	—	—	—	488	—	—	488
Net income recognised directly in equity	—	—	—	—	—	488	—	—	488
Issue of shares	1,468	4,551	—	—	—	—	—	—	6,019
Fair value gains in respect of available-for-sale financial assets	—	—	—	273	—	—	—	—	273
Loss for the year	—	—	—	—	—	—	(20,411)	(725)	(21,136)
Balance at 31 March 2007	**12,108**	**34,086**	**9,800**	**273**	**—**	**788**	**55,483**	**2,569**	**115,107**
Reserves retained by:									
Company and subsidiaries	12,108	34,086	9,800	273	—	788	55,777	2,569	115,401
Jointly-controlled entity	—	—	—	—	—	—	—	—	—
Associate	—	—	—	—	—	—	(294)	—	(294)
At 31 March 2007	**12,108**	**34,086**	**9,800**	**273**	**—**	**788**	**55,483**	**2,569**	**115,107**
Company and subsidiaries	10,640	29,535	9,800	—	—	300	76,188	3,294	129,757
Jointly-controlled entity	—	—	—	—	—	—	—	—	—
Associate	—	—	—	—	—	—	(294)	—	(294)
At 31 March 2006	10,640	29,535	9,800	—	—	300	75,894	3,294	129,463

Note:

(a) The capital reserve of the Group represents the difference between the nominal value of the shares of the subsidiaries acquired pursuant to the Group Reorganisation in 2004, over the nominal value of the Company's shares issued in exchange therefor.

The accompanying notes form an integral part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 March 2007

	Note	2007 HK$'000	2006 HK$'000
Cash flows from operating activities			
Loss before tax		**(21,184)**	(14,491)
Adjustments for:			
Finance costs		**2,528**	1,851
Interest income		**(1,539)**	(1,249)
Depreciation		**171**	121
Exchange difference		**429**	302
Property, plant and equipment written off		**26**	—
Loss on disposal of investment properties		**229**	—
Gain on disposal of property, plant and equipment		**(49)**	(32)
Gain on disposal of a subsidiary		**—**	(4)
Gain on disposal of financial assets at fair value through profit or loss		**(79)**	—
Reversal of accounts payable		**(1,095)**	—
Provision for impairment loss on accounts receivable		**4**	4
Operating loss before working capital changes		**(20,559)**	(13,498)
(Increase)/decrease in amount due from a joint-controlled entity		**(104)**	41
Decrease in accounts receivable		**7,768**	24,660
Decrease in prepayments		**148**	463
Decrease in deposits and other receivables		**247**	2,177
Decrease in amount due from customers for contract work		**3,551**	15,675
Decrease in accounts payable		**(5,431)**	(15,377)
Increase in other payables and accruals		**711**	1,634
Decrease in amount due to customers for contract work		**(4,088)**	(10,905)
Decrease in amount due to a director		**—**	(3,873)
Cash (utilised)/generated from in operations		**(17,757)**	997
Interest received		**1,539**	1,249
Interest paid		**—**	(2)
Hong Kong profits tax refunded		**68**	166
Net cash (outflow)/inflow from operating activities		**(16,150)**	2,410

Consolidated Cash Flow Statement

For the year ended 31 March 2007

	Note	2007 HK$'000	2006 HK$'000
Cash flows from investing activities			
Purchase of property, plant and equipment		**(38)**	(246)
Purchase of available-for-sale financial assets		**(1,323)**	—
Purchase of financial assets at fair value through profit or loss		**(368)**	—
Proceeds from disposal of financial assets at fair value through profit or loss		**447**	—
Proceeds from disposal of property, plant and equipment		**58**	139
Proceeds from disposal of investment properties		**2,000**	—
Decrease in pledged time deposits		**—**	3,900
Net cash inflow from investing activities		**776**	3,793
Cash flows from financing activities			
Proceeds from issue of shares		**6,019**	—
Loans from shareholders		**4**	20,000
Repayment of loan from shareholders		**(10,000)**	—
Net cash (outflow)/inflow from financing activities		**(3,977)**	20,000
(Decrease)/increase in cash and cash equivalents		**(19,351)**	26,203
Cash and cash equivalents at the beginning of the year		**51,590**	25,387
Cash and cash equivalents at the end of the year		**32,239**	51,590
Analysis of balances of cash and cash equivalents			
Cash and bank balances	25	**32,239**	51,590

The accompanying notes form an integral part of these financial statements.

Balance Sheet

At 31 March 2007

	Note	2007 HK$'000	2006 HK$'000 (Restated)
ASSETS			
Non-current assets			
Interest in subsidiaries	*18*	**206,844**	184,663
Available-for-sale financial assets	*19*	**229**	—
		207,073	184,663
Current assets			
Cash and bank balances	*25*	**2,777**	13,928
Total assets		**209,850**	198,591
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	*32*	**12,108**	10,640
Reserves	*34(b)*	**142,306**	137,007
Total equity		**154,414**	147,647
LIABILITIES			
Non-current liabilities			
Loan from shareholders	*30(b)*	**37,372**	44,840
Current liabilities			
Other payables and accruals	*27*	**822**	769
Amounts due to subsidiaries		**11,974**	67
Financial guarantee contracts	*29*	**5,268**	5,268
		18,064	6,104
Total liabilities		**55,436**	50,944
Total equity and liabilities		**209,850**	198,591
Net current (liabilities)/assets		**(15,287)**	7,824
Total assets less current liabilites		**191,786**	192,487

Approved by the Board of Directors on 26 July 2007 and signed on its behalf by:

Hui Chi Yung
Director

Yiu Kai Yeuk, Raphael
Director

The accompanying notes form an integral part of these financial statements.

1. CORPORATE INFORMATION

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 Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company in Hong Kong is located at 13th Floor, OTB Building, 259 — 265 Des Voeux Road Central, Hong Kong.

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.

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

In the current year, the Group has applied, for the first time, a number of new standards, amendments and interpretations (the "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are either effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. The new HKFRSs adopted by the Group in the consolidated financial statements are set out as follows:

HKAS 21 (Amendment)	Net Investment in a Foreign Operation
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 & HKFRS 4 (Amendment)	Financial Guarantee Contracts
HKFRS — Int 4	Determining whether an Arrangement contains a Lease

The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that affected the amounts reported for the current or prior accounting periods:

Financial guarantee contracts

In the current year, the Group has applied Hong Kong Accounting Standard ("HKAS") 39 and HKFRS 4 (Amendments) Financial Guarantee Contracts which is effective for annual periods beginning on or after 1 January 2006.

A financial guarantee contract is defined by HKAS 39 Financial Instruments: Recognition and Measurement as "a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified of a debt instrument".

Prior to 1 January 2006, financial guarantee contracts were not accounted for in accordance with HKFRS 4 Insurance Contract and those contracts were disclosed as contingent liabilities. A provision for financial guarantee was only recognised when it was probable that an outflow of resources would be required to settle the financial guarantee obligation and the amount can be estimated reliably.

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

Financial guarantee contracts *(Continued)*

Upon the application of these amendments, a financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 Revenue.

The Company has issued corporate guarantees to banks in connection with facilities granted to its subsidiaries. These guarantees are financial guarantee contracts as they require the Company to reimburse the banks if the subsidiaries fail to make principal or interest payments when due in accordance with the terms of their borrowings.

Previously, financial guarantees issued by the Company to banks in relation to the borrowings by subsidiaries are accounted for as contingent liabilities of the Company and are not recognised in the consolidated financial statements until the Company has an obligation to make payment under the guarantee in accordance with HKAS 37.

On 1 April 2006, the Group adopted the amendments to HKAS 39 which requires financial guarantees to be accounted for initially at fair value and subsequently at the higher of: (i) the amount initially recognised, less accumulated amortisation; and (ii) the amount of obligation that arises under the guarantee.

The revised HKAS 39 has been applied retrospectively to financial guarantees existing as at 1 April 2005. The effects of adoption on the financial statements of the Company at 31 March 2007 and 2006 are as follows:

(i) Balance sheet of the Company as at 1 April 2005, 31 March 2006 and 31 March 2007

	HKAS 39 and HKFRS 4 (Amendments)
Increase in interest in subsidiaries	5,268
Increase in financial guarantee contracts	(5,268)
	—

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

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

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

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

The directors of the Company anticipate that the application of these standards or amendments will have no material impact on the financial statements of the Company.

3. 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 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.

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 believe 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.

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

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 5 to the financial statements.

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

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 and available-for-sale financial assets 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 arbitrations and recoverability of accounts receivable, the other receivable as stated below in Note 24 to the 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 2007 is an account receivable of approximately HK$120,459,000 (2006: HK$120,459,000) (the "Receivable Under Dispute"), recorded based on architect's 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 Receivable Under Dispute were certified by the architects of the residential development project.

As at the date of approval of these financial statements, 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 major customer, a counter claim was made by the major customer against the Group in relation to 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 major customer does not have sufficient 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 claimed by the major customers 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 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.

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

Basis of preparation *(Continued)*

As a result of the withholding of settlement of accounts receivable by the customer, the working capital of the Group has been affected. In order to maintain the working capital of the Group, two major shareholders of the Company provided continual financial support to the Group in the form of shareholders' loan, of which approximately HK$37,372,000 of the loan had been made to the Group as at 31 March 2007 (2006: HK$44,840,000). Further details of the shareholders' loan are disclosed in Note 30(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.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to March 31 each year.

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

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

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

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

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.

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

Subsidiaries *(Continued)*

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.

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.

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.

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

Jointly controlled entity *(Continued)*

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.

Associated companies

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 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 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.

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.

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

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:

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

(b) 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

(c) 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.

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.

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 profit and loss account 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.

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

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, fixture 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 profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset.

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.

Impairment of assets (other than goodwill, intangible assets with indefinite lives)

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

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

Impairment of assets (other than goodwill, intangible assets with indefinite lives) *(Continued)*

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

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.

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.

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.

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

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.

Taxation

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

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

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

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

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

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

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.

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

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.

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.

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

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 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.

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.

Financial instruments

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

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

Financial instruments *(Continued)*

(i) Financial assets

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

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

Financial assets at fair value through profit or loss has two subcategories, including financial assets held for trading and those designated as at fair value through profit or loss on initial recognition. A financial asset other than a financial asset held for trading may be designated as at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

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

(iii) Loans and receivables

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

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

Financial instruments *(Continued)*

(iv) Held-to-maturity investments

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

(v) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss. Any impairment losses on available-for-sale financial assets are recognised in profit or loss. Impairment losses on available-for-sale equity investments will not reverse in profit or loss in subsequent periods. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss. For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not reverse in subsequent periods.

(vi) Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities at fair value through profit or loss and other financial liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

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

Financial instruments *(Continued)*

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

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

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

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

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

(viii) Other financial liabilities

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

(ix) Financial guarantee contracts

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

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

Financial instruments *(Continued)*

(x) Derecognition

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

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

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.

(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.

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.

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

Contingent liabilities *(Continued)*

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 the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

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.

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.

(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 have 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.

(d) Provision for impairment loss on trade and other receivables

The provision for impairment loss on trade and other receivables of the Group is based on the evaluation of collectability and aging analysis of accounts and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each account. If the financial conditions of the debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

(e) Estimated impairment for goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. As at 31 March 2007, the carrying amount of goodwill was approximately HK$1,810,000 (2006: HK$1,810,000). Details of the recoverable amount calculation are disclosed in Note 17.

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 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 others 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.

The Group

	Building construction		Renovation, repairs and maintenance		Corporate and others		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:								
Contract revenue from external customers	**14,233**	93,467	**50,135**	59,234	**—**	—	**64,368**	152,701
Other revenue and other income	**110**	1,029	**1,195**	156	**—**	—	**1,305**	1,185
Total	**14,343**	94,496	**51,330**	59,390	**—**	—	**65,673**	153,886
Segment results	**(2,602)**	3,059	**3,763**	5,354	**(21,759)**	(21,777)	**(20,598)**	(13,364)
Interest and unallocated gains							**1,942**	724
Loss from operating activities							**(18,656)**	(12,640)
Finance costs							**(2,528)**	(1,851)
Loss before tax							**(21,184)**	(14,491)
Taxation							**48**	78
Loss for the year							**(21,136)**	(14,413)
Segment assets	**153,822**	205,366	**21,623**	25,263	**1,164**	3,238	**176,609**	233,867
Interest in a jointly-controlled entity	**1,247**	1,143	**—**	—	**—**	—	**1,247**	1,143
Unallocated assets							**39,741**	14,430
Total assets							**217,597**	249,440
Segment liabilities	**50,668**	62,138	**12,677**	10,939	**1,735**	824	**65,080**	73,901
Unallocated liabilities							**37,410**	46,076
Total liabilities							**102,490**	119,977
Other segment information:								
Depreciation	**11**	84	**101**	194	**107**	25	**219**	303
Capital expenditure	**5**	63	**2**	183	**31**	—	**38**	246
Provision for impairment loss on accounts receivable	**—**	—	**4**	4	**—**	—	**4**	4

6. SEGMENT INFORMATION *(Continued)*

Geographical Segments

	Hong Kong		The People's Republic of China ("PRC")		Total	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue	**32,817**	106,373	**31,551**	46,328	**64,368**	152,701
Total segment assets	**205,843**	236,906	**11,754**	12,534	**217,597**	249,440
Capital expenditure	**36**	189	**2**	57	**38**	246

7. TURNOVER AND REVENUE

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

An analysis of turnover and other revenue is as follows:

	2007	2006
	HK$'000	*HK$'000*
Turnover:		
Contract revenue	**64,368**	152,701
Other revenue:		
Bank interest income	**1,462**	1,179
Bad debt recovered	**—**	200
Handling income from subcontractors	**127**	47
Other interest income	**77**	70
Refund of provident fund unvested benefit	**55**	150
Rental income	**225**	54
Sundry income	**78**	173
	2,024	1,873
Total revenue	**66,392**	154,574

8. LOSS FROM OPERATING ACTIVITIES

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

	2007 ***HK$'000***	2006 *HK$'000*
Auditors' remuneration	**500**	500
Depreciation	**219**	303
Amount capitalised as contract costs	**(48)**	(182)
	171	121
Provision for impairment loss on accounts receivable	**4**	4
Staff costs (excluding directors' remuneration) *(Note 10)*		
— wages and salaries	**10,196**	16,649
— pension scheme contributions*	**385**	614
	10,581	17,263
Less: Amount of staff costs capitalised as contract costs	**(1,236)**	(1,977)
	9,345	15,286
Minimum lease payments under operating leases:		
— Land and buildings	**1,368**	1,244
Loss on disposal of investment properties	**229**	—
and after crediting:		
Other income:		
Gain on disposal of property, plant and equipment	**(49)**	(32)
Gain on disposal of a subsidiary	**—**	(4)
Gain on disposal of financial assets at fair value through profit or loss	**(79)**	—
Reversal of accounts payable	**(1,095)**	—
	(1,223)	(36)

* As at 31 March 2007, the Group had no material forfeited contributions available to offset future pension scheme contributions to the scheme (2006: Nil).

9. FINANCE COSTS

	The Group	
	2007	2006
	HK$'000	*HK$'000*
Interests on bank overdrafts and bank loans	**—**	2
Interest on shareholders' loans	**2,528**	1,849
	2,528	1,851

10. DIRECTORS' REMUNERATION

The remuneration of every director for the year ended 31 March 2007 and 2006, 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	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'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	**2,736**	3,149
Independent Non-Executive Directors										
Dr. Hu Chung Kuen, David	**20**	20	**—**	—	**—**	—	**—**	—	**20**	20
Mr. Liu Kwong Sang	**20**	20	**—**	—	**—**	—	**—**	—	**20**	20
Mr. Sit Hing Wah	**20**	20	**—**	—	**—**	—	**—**	—	**20**	20
	60	60	**—**	—	**—**	—	**—**	—	**60**	60
	60	473	**2,712**	2,712	**—**	—	**24**	24	**2,796**	3,209

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

	Number of directors	
	2007	2006
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.

During the year, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office (2006: Nil).

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2006: 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 (2006: three) non-director, highest paid employees are as follows:

	The Group	
	2007	2006
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**2,069**	2,131
Pension scheme contributions	**36**	36
	2,105	2,167

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

	Number of employees	
	2007	2006
Nil — HK$1,000,000	**3**	3

During the year, no emoluments were paid by the Group to the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office (2006: Nil).

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 2007 (2006: 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.

	The Group	
	2007	2006
	HK$'000	*HK$'000*
Current taxation:		
(Under)/overprovision in prior years — Hong Kong	**(64)**	78
Deferred taxation:		
Reversal during the year *(Note 31)*	**112**	—
	48	78

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:

12. **TAXATION** *(Continued)*

The Group

	2007					
	Hong Kong		**PRC**		**Total**	
	HK$'000	***%***	***HK$'000***	***%***	***HK$'000***	***%***
Loss before tax	**(18,498)**		**(2,686)**		**(21,184)**	
Tax at applicable tax rate	**(3,237)**	**(17.5)**	**(886)**	**(33.0)**	**(4,123)**	**(19.5)**
Expenses not deductible for tax purposes	**65**	**0.4**	**—**	**—**	**65**	**0.3**
Non-taxable income	**(644)**	**(3.5)**	**—**	**—**	**(644)**	**(3.0)**
Tax losses not recognised	**3,816**	**20.7**	**886**	**33.0**	**4,702**	**22.2**
Under provision in previous year	**64**	**0.3**	**—**	**—**	**64**	**0.3**
Tax effect of reversal of temporary differences previously recognised	**(112)**	**(0.6)**	**—**	**—**	**(112)**	**(0.5)**
Tax charge at the Group's effective rate	**(48)**	**(0.2)**	**—**	**—**	**(48)**	**(0.2)**

	2006					
	Hong Kong		PRC		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	7.0	—	—	1,166	8.0
Over provision in previous year	(78)	(0.5)	—	—	(78)	(0.5)
Tax losses utilised	—	—	(98)	(4.5)	(98)	(0.6)
Tax charge at the Group's effective rate	(78)	(0.5)	—	—	(78)	(0.5)

13. **NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY**

The net profit from ordinary activities attributable to equity holders of the Company for the year ended 31 March 2007 dealt with in the financial statements of the Company is HK$695,000 (2006: HK$314,000) (Note 34(b)).

14. DIVIDENDS

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

15. LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of basic loss per share amounts is based on the loss for the year attributable to equity holders of the Company of approximately HK$20,411,000 (2006: HK$15,004,000) and the weighted average number of ordinary shares in issue during the year of 110,503,195 (2006: 106,400,000 (restated)) after adjusting for the effects of the share consolidation approved on 27 April 2007 (Note 38). The basic loss per share for 2006 had been adjusted accordingly.

16. PROPERTY, PLANT AND EQUIPMENT

The Group

	Investment properties *HK$'000*	Leasehold improvements *HK$'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 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 sales	(2,200)	—	—	—	—	—	(2,200)
At 31 March 2006 and 1 April 2006	—	823	4,219	1,261	3,082	785	10,170
Additions	—	—	—	—	38	—	38
Write off	—	(736)	—	—	(1,281)	(538)	(2,555)
Disposals	—	—	—	(378)	(37)	—	(415)
Exchange difference	—	—	—	6	(14)	—	(8)
At 31 March 2007	—	87	4,219	889	1,788	247	7,230
Analysis of cost or valuation:							
At cost	—	87	4,219	889	1,788	247	7,230
At valuation	—	—	—	—	—	—	—
At 31 March 2007	—	87	4,219	889	1,788	247	7,230
Accumulated depreciation:							
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 and 1 April 2006	—	823	4,215	1,000	2,801	764	9,603
Provided during the year	—	—	1	82	122	14	219
Written off	—	(736)	—	—	(1,256)	(537)	(2,529)
Written back on disposal	—	—	—	(373)	(33)	—	(406)
Exchange difference	—	—	—	4	(18)	—	(14)
At 31 March 2007	—	87	4,216	713	1,616	241	6,873
Net book value:							
At 31 March 2007	**—**	**—**	**3**	**176**	**172**	**6**	**357**
At 31 March 2006	—	—	4	261	281	21	567

17. GOODWILL

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

	The Group Goodwill *HK$'000*
Cost:	
At 1 April 2004 and at 31 March 2005, as previously reported	12,690
Elimination of accumulated amortisation upon adoption of HKFRS 3	(10,880)
At 31 March 2006 and at 31 March 2007	1,810
Accumulated amortisation and impairment/ recognition as income:	
At 1 April 2004	(7,489)
Amortisation provided during the year	(625)
Impairment provided during the year	(2,766)
At 31 March 2005, as previously reported	(10,880)
Elimination of accumulated amortisation upon adoption of HKFRS 3	10,880
At 31 March 2006 and at 31 March 2007	—
Net book value:	
At 31 March 2007	**1,810**
At 31 March 2006	1,810

In prior years, goodwill was amortised on a straight-line basis over its estimated useful economic life of 20 years. Following the adoptions 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.

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

	2007 ***HK$'000***	2006 *HK$'000*
Renovation works	**1,810**	1,810

The recoverable amount of CGU is determined based on a value-in-use calculations which uses cash flow projections based on financial budgets approved by management covering a five-year period, and a discount rate of 14.79% per annum (2006: 15.38% per annum). Management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of this CGU.

17. GOODWILL *(Continued)*

Key assumptions used for value-in-use calculations:

Discount rate	14.79%

Management determined the budget gross margin based on average gross margins achieved in the period immediately before the budget period, increased for expected efficiency improvements.

18. INTEREST IN SUBSIDIARIES

	The Company	
	2007	2006
	HK$'000	*HK$'000*
		(Restated)
Unlisted investments, at cost	**107,848**	107,848
Financial guarantee granted to subsidiaries	**5,268**	5,268
Amounts due from subsidiaries	**93,728**	71,547
	206,844	184,663

Amounts due from Wing Hong Construction Limited and Wing Hong Interior Contracting Limited are unsecured, bear interest at prime rate plus 3% per annum and have no fixed terms of repayment. The directors consider that the amounts due from Wing Hong Construction Limited and Wing Hong Interior Contracting Limited approximates to its fair value.

Amounts due from subsidiaries, other than the three subsidiaries stated above, are unsecured, interest-free and have no fixed terms of repayment. The directors consider that the amounts due from subsidiaries approximate to its fair value.

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		Principal activities
			Direct	*Indirect*	
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. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	The Group		The Company	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Listed investments:				
— Equity securities listed in Hong Kong	**1,596**	—	**229**	—
Market value of listed securities	**1,596**	—	**229**	—

20. INTEREST IN A JOINTLY-CONTROLLED ENTITY

	The Group	
	2007	2006
	HK$'000	*HK$'000*
Unlisted shares, at cost	**—**	—
Share of net assets	**—**	—
Amount due from a jointly-controlled entity	**1,755**	1,651
Provision for impairment loss of an amount due from a jointly-controlled entity	**(508)**	(508)
	1,247	1,143

The amount due from a jointly-controlled entity is unsecured, interest-free and has no fixed terms of repayment. The directors consider that the amount due from a jointly-controlled entity approximates to its fair value.

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 A JOINTLY-CONTROLLED ENTITY *(Continued)*

The summarised financial information in respect of the jointly-controlled entity, extracted from its management accounts, is set out below:

	2007	2006
	HK$'000	*HK$'000*
Current asset	**380**	675
Non-current asset	**25**	12
Current liabilities	**(2,609)**	(2,535)
Non-current liabilities	**—**	—
Income	**—**	73
Expenses	**355**	1,166

21. INTEREST IN AN ASSOCIATE

	The Group	
	2007	2006
	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. INTEREST IN AN ASSOCIATE *(Continued)*

The summarised financial information in respect of the Company's associate, extracted from its management accounts is set out below:

	2007	2006
	HK$'000	*HK$'000*
Total assets	**734**	748
Total liabilities	**(907)**	(915)
	(173)	(167)
Group's share of net liabilities of the Company	**(53)**	(51)
Turnover	**—**	—
Loss for the year	**(6)**	(17)
Loss attributable to the Company	**(2)**	(5)

22. AMOUNT DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORK

	The Group	
	2007	2006
	HK$'000	*HK$'000*
Amount due from customers for contract work	**38,020**	41,571
Amount due to customers for contract work	**(10,064)**	(14,152)
	27,956	27,419
Contract costs incurred plus recognised profits less recognised losses to date	**3,053,902**	5,009,377
Less: Progress billings	**(3,025,946)**	(4,981,958)
	27,956	27,419

23. ACCOUNTS RECEIVABLE

	The Group	
	2007	2006
	HK$'000	*HK$'000*
Within 30 days	**96**	6,182
31 — 90 days	**158**	2,122
91 — 180 days	**6**	155
Over 180 days	**121,255**	120,820
	121,515	129,279
Less: Provision for impairment loss on accounts receivable	**(8)**	(4)
	121,507	129,275

Notes:

(a) The directors consider that the carrying amounts of accounts receivable approximate to their fair values.

(b) The carrying amounts of accounts receivable is reduced to their recoverable amounts which are determined by reference to the estimation of future cash flows expected to be generated.

(c) The movements in provision for impairment losses of accounts receivable were as follows:

	The Group	
	2007	2006
	HK$'000	*HK$'000*
At 1 April	**4**	—
Provision for impairment losses for the year	**4**	4
At 31 March	**8**	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 2007, no retentions held by customers for contract work were included in accounts receivable (2006: Nil).

Included in the Group's accounts receivable balance as at 31 March 2007 and 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 3 to the financial statements.

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	The Group	
	2007	2006
	HK$'000	*HK$'000*
Prepayments	**44**	192
Deposits and other receivables	**14,871**	15,118
	14,915	15,310

Included in the Group's deposits and other receivables as at 31 March 2007 is an amount of approximately HK$10.4 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 other subcontractors to rectify the defects, to complete the incomplete subcontracted works of the Subcontractor and to pay on behalf of the Subcontractor's 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.

25. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS

	The Group		The Company	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash and bank balances	**17,407**	15,826	**2,777**	2,863
Time deposits	**19,932**	40,864	**—**	11,065
	37,339	56,690	**2,777**	13,928
Less: Pledged time deposits for performance bond facilities *(Note 28)*	**(5,100)**	(5,100)	**—**	—
Cash and cash equivalents	**32,239**	51,590	**2,777**	13,928

26. ACCOUNTS PAYABLE

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

	The Group	
	2007	2006
	HK$'000	*HK$'000*
Within 30 days	**1,275**	2,213
31 — 90 days	**958**	4,443
91 — 180 days	**1,536**	20
Over 180 days	**46,686**	50,305
	50,455	56,981

Note: The directors consider that the carrying amounts of accounts payable approximate to their fair values.

As at 31 March 2007, no retentions payable are included in accounts payable under current liabilities (2006: Nil).

27. OTHER PAYABLES AND ACCRUALS

	The Group		The Company	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Other payables and accruals	**4,543**	3,621	**822**	769
Amounts due to related companies	**18**	18	**—**	—
	4,561	3,639	**822**	769
Liabilities directly associated with non-current assets classified as held for sale	**—**	211	**—**	—
	4,561	3,850	**822**	769

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

28. PLEDGED OF ASSETS

The Group's banking facilities (including performance bond facilities) as at 31 March 2007 were secured by the following:

(a) the pledge of the Group's time deposits amounting to approximately HK$5,100,000 (2006: HK$5,100,000);

(b) corporate guarantees executed by the Company up to the extent of HK$43,050,000 (2006: HK$55,050,000) as at 31 March 2007; and

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

29. FINANCIAL GUARANTEE CONTRACTS

	The Company	
	2007	2006
	HK$'000	*HK$'000*
		(Restated)
Guarantees given to certain subsidiaries for banking facilities	**5,268**	5,268

30. LOAN TO/FROM SHAREHOLDERS

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

	The Group	
	2007	2006
	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 2007 amounted to HK$200,000 (2006: 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.

The directors consider that the loan to a shareholder approximate to its fair value.

(b) As at 31 March 2007, shareholders' loan amounting to approximately HK$33,749,000 and HK$3,623,000 were granted to the Group by Rich Place and Million Honest Limited ("Million Honest"), respectively.

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, respectively.

The loans from Rich Place and Million Honest are unsecured, bear interest at prime rate minus 2% per annum and repayable in October 2008.

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

The directors consider that the loan from shareholders approximate to their fair values.

31. DEFERRED TAX

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

	The Group Accelerated tax depreciation	
	2007	2006
	HK$'000	*HK$'000*
Deferred tax liabilities:		
Balance brought forward	**130**	130
Transfer to income statement *(Note 12)*	**(112)**	—
Balance carried forward	**18**	130

There were no deferred tax assets and liabilities recognised by the Group for the year ended 31 March 2007 (2006: Nil).

There were no deferred tax assets and liabilities recognised by the Company for the year ended 31 March 2007 (2006: Nil).

The Group has tax losses arising in Hong Kong and PRC of approximately HK$39,064,000 (2006: HK$16,316,000). 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 for four years. Deferred tax assets had 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

Changes in authorised capital and issued capital of the Company took place during the period from 1 April 2005 to 31 March 2007 are summarised as follows:

	Notes	**Number of ordinary shares**	**Nominal value of ordinary shares** *HK$'000*
Authorised (ordinary shares of HK$0.01 each):			
At 1 April 2005		10,000,000	100
Increase in authorised share capital	*(a)*	1,990,000,000	19,900
At 31 March 2006 and at 31 March 2007		2,000,000,000	20,000
Issued (ordinary shares of HK$0.01 each):			
At 1 April 2005 and at 31 March 2006		1,064,000,000	10,640
Issue of shares	*(b)*	146,830,000	1,468
At 31 March 2007		1,210,830,000	12,108

32. SHARE CAPITAL *(Continued)*

During the period from 1 April 2005 to 31 March 2007, the movements in the share capital of the Company were as follows:

(a) 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.

(b) On 20 December 2006, 146,830,000 ordinary shares of HK$0.01 each were issued at an issue price of HK$0.041 each for a total cash consideration of approximately HK$6,019,000 through a share placing.

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.

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.

33. SHARE OPTION SCHEME *(Continued)*

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 during the year ended March 2007.

34. RESERVES

(a) The 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) The Company

	Share premium account *HK$'000*	Capital reserve *HK$'000*	Available-for-sale financial assets fair value reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 April 2006	29,535	107,648	—	(490)	136,693
Profit for the year	—	—	—	314	314
At 31 March 2006 and at 1 April 2007	29,535	107,648	—	(176)	137,007
Premium arising from issue of new shares	4,551	—	—	—	4,551
Fair value gains in respect of available-for-sale financial assets	—	—	53	—	53
Profit for the year	—	—	—	695	695
At 31 March 2007	**34,086**	**107,648**	**53**	**519**	**142,306**

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 in 2004, over the nominal value of the Company's shares issued in exchange therefore.

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 (2006: HK$5,102,000).

(ii) Guarantees given to banks in connection with facilities granted to subsidiaries by the Company of approximately HK$43,050,000 (2006: HK$55,050,000).

As at 31 March 2007, 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 (2006: HK$5,100,000).

The carrying amount of the financial guarantee contracts recognised in the Company's balance sheet in accordance with HKAS 39 and HKFRS 4 (Amendments) was approximately HK$5,268,000 (2006: HK$5,268,000). The financial guarantee contracts were eliminated on consolidation.

(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 3 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 subcontacting 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 31 May 2004, 19 August 2004, 23 August 2005, 7 February 2006, 19 July 2006, 14 August 2006 and 4 September 2006 two District Court actions and five High Court actions had commenced by seven employees against subsidiaries of the Group and the other respondents in respect of claims for employees' compensation under the common law for personal injuries sustained by the employees in accidents arising in and out of the course of their employments and personal injury, loss and damage arising out of the negligence.

No settlements have been reached and no judgments have been made against the subsidiaries of the Group in respect of the above actions. In the opinion of the directors, the above actions with seven 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 proceeding for three months subject to the rights to re-active the proceedings upon a three day written notice to the subsidiary of the Group. Since this date and up to the date of approval of these financial statements, the arbitration has been dormant and there has been no activity arisen by the parties.

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 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.

(g) On 7 December 2006, a subsidiary of the Group received a notice of arbitration from a 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$5,629,000. On 24 February 2007, the subsidiary of the Group sought to counterclaim against the subcontractor of approximately HK$8,062,000.

As at the date of approval of these financial statements, no decision had been made in the arbitration. 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)*

(h) On 28 March 2007, 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$3,253,000. On 29 June 2007, the subsidiary of the Group sought to counterclaim against the subcontractor of approximately HK$232,000 together with an order for indemnity for a sum amounting to approximately HK$4,389,000.

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

Saved as disclosed above and elsewhere in the financial statements, as at 31 March 2007, 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	
	2007	2006
	HK$'000	*HK$'000*
Within one year	**819**	406
In the second to fifth years, inclusive	**1,549**	924
	2,368	1,330

(b) Capital commitments

As at 31 March 2007, 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	
	2007	2006
	HK$'000	*HK$'000*
Salaries and other short-term employee benefits	**4,840**	4,838

(b) Transactions carried out with related parties

		The Group	
		2007	2006
	Note	***HK$'000***	*HK$'000*
Office rental expense paid to First Win (Asia) Limited	*(i)*	**436**	654
Management fees received from WH-SCG, a jointly-controlled entity	*(ii)*	**97**	13
Renovation fees received from Shanghai Jinjiang International Investment Co. Ltd ("Jinjiang") and its subsidiaries and associates	*(iii)*	**4,757**	7,706
Operating leases receivable from Maximizer Asia (Shanghai) Ltd	*(iv)*	**27**	—

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

(c) As at 31 March 2007, shareholders' loans amounting to approximately HK$33,749,000 and HK$3,623,000 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 2007, 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.

37. MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

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.

(iv) Monthly Shanghai office rental fee receivable from Maximizer Asia (Shanghai) Ltd, Mr. Hui Kau Mo and Mr. Liu Kwong Sang are the non-executive director and the independent non-executive director of abc Multiactive Limited respectively, which is the ultimate holding company of Maximizer Asia (Shanghai) Ltd.

38. SUBSEQUENT EVENTS

Pursuant to an ordinary resolution passed in the special general meeting held on 27 April 2007, every ten issued and unissued shares of the Company of HK$0.01 each were consolidated into one consolidated share of HK$0.1 each.

39. 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 financial statements have been restated to confirm with the current year presentation.

40. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 26 July 2007.

Summary Financial Information

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

RESULTS

	Year ended 31 March				
	2007	2006	2005	2004	2003
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER — contract revenue	**64,368**	152,701	344,937	841,966	1,105,587
(LOSS)/PROFIT FROM OPERATING ACTIVITIES	**(18,656)**	(12,640)	(10,816)	40,676	36,672
Finance costs	**(2,528)**	(1,851)	(343)	(93)	(309)
Share of profits and losses of an associate	**—**	—	—	—	(24)
(LOSS)/PROFIT BEFORE TAX	**(21,184)**	(14,491)	(11,159)	40,583	36,339
Tax	**48**	78	—	(7,413)	(6,045)
(LOSS)/PROFIT BEFORE MINORITY INTERESTS	**(21,136)**	(14,413)	(11,159)	33,170	30,294
Attributable to:					
— Equity holders of the Company	**(20,411)**	(15,004)	(11,326)	33,639	30,301
— Minority interest	**(725)**	591	167	(469)	(7)
	(21,136)	(14,413)	(11,159)	33,170	30,294

ASSETS, LIABILITIES AND MINORITY INTERESTS

	As at 31 March				
	2007	2006	2005	2004	2003
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TOTAL ASSETS	**217,597**	249,440	268,681	284,440	292,220
TOTAL LIABILITIES	**(102,490)**	(119,977)	(126,752)	(171,088)	(199,650)
MINORITY INTERESTS	**(2,569)**	(3,294)	(2,703)	(3,100)	(1,042)
NET ASSETS	**112,538**	126,169	139,226	110,252	91,528

Note: The summary of the consolidated results of the Group for each of the two years ended 31 March 2003 and 2004 and of the consolidated assets, liabilities and minority interests as at 31 March 2003 and 2004 have been extracted from the Company's prospectus dated 30 September 2004. Such summary was prepared as if the current structure of the Group had been in existence throughout these financial years and is presented on the basis as set out in Note 2 to the financial statements. The consolidated results of the Group for the year ended 31 March 2005, 2006 and 2007 and the consolidated assets, liabilities and minority interests of the Group as at 31 March 2005, 2006 and 2007 are those set out in 2006 annual report and this annual report.