ANNUAL REPORT
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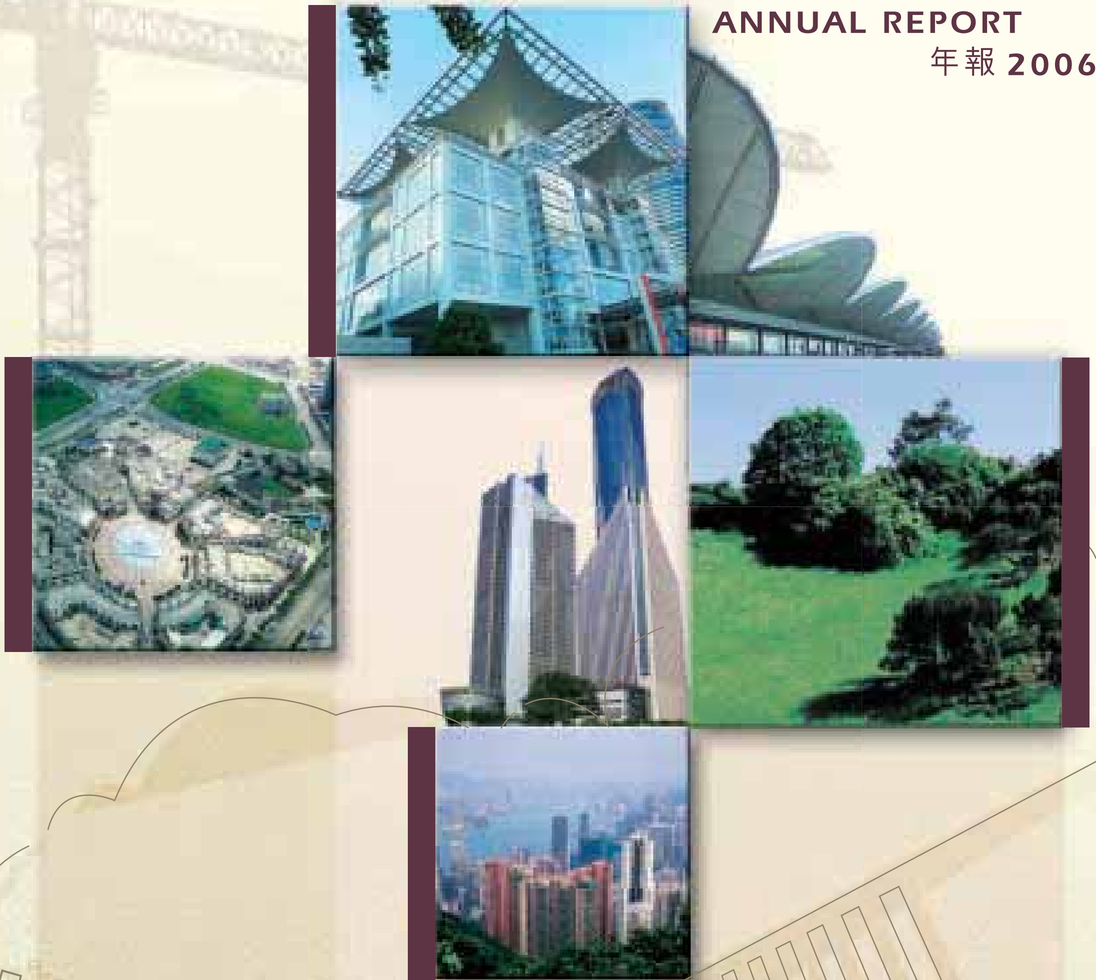

WING HING INTERNATIONAL (HOLDINGS) LIMITED
永興國際(控股)有限公司

(Incorporated in Bermuda with limited liability)
(於百慕達註冊成立之有限公司)
(**Stock Code 股份代號: 621**)

CONTENTS

Corporate Information

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTOR

Mr. Wang Xianzhang *(Honorary Chairman)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

QUALIFIED ACCOUNTANT

Mr. Chan Yau Chung, Louis

COMPANY SECRETARY

Ms. Chan Yuen Bik, Jane

PRINCIPAL BANKERS

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

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

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

The Hongkong and Shanghai Banking
Corporation Limited
1 Queen's Road Central
Hong Kong

AUDITORS

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

LEGAL ADVISERS ON HONG KONG LAW

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

LEGAL ADVISERS ON BERMUDA LAW

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

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton, HM12
Bermuda

PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRARS AND TRANSFER OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

Chairman's Statement

RESULTS

During the financial year 2005/2006, the Group recorded a loss attributable to equity holders of the Company of approximately HK$22,336,000 or loss of HK64.1 cents per share basic, compared with a profit attributable to equity holders of the Company for the year 2004/2005 of approximately HK$14,176,000 (restated) or earnings of HK49.3 cents per share basic.

DIVIDEND

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

BUSINESS REVIEW

Despite the difficult market conditions, the Group has recorded a turnover of approximately HK$494 million which represents a 14% increase compared with the turnover recorded in the corresponding period of last year. During the year under review, the recorded loss is mainly attributed to the poor performance of the subsidiary undertaking electrical and mechanical works. As a result, the Group has scaled down the related business which cannot contribute profits to the Group.

CONSTRUCTION AND BUILDING

The Group has secured several contracts during the last financial year, which include the construction of the third golf course at Kau Sai Chau, two contracts for an internationally reputed theme park at Lantau and the construction of 5 km of fencing for a proposed palace in Doha. Together with contracts previously secured, the total value of current contracts on hand amounted to about HK$622 million. Some of these new contracts are secured through joint-venture with China Harbour Engineering Co. Ltd., a prominent PRC contractor operating globally.

As regards major completed projects, the Group has satisfactorily completed the luxurious residential development at Gough Hill Path, the composite building at Queen's Road West, school improvement project for Kei San Secondary School, the proposed Godown extension at Hung Hom and the substructure works at No. 111 King Lam Street and at No. 23 Kent Road. Under joint venture with China Harbour Engineering Co. Ltd., the Group has accomplished the ambulance depot at Kwai Chung.

WASTEWATER TREATMENT

With the view of counter-balancing the cyclical construction incomes and leveraging on our construction expertise, the Group, through a jointly-controlled entity has undertaken a 130,000m^3/day wastewater treatment TOT/BOT (Transfer-Operate-Transfer/Build-Operate-Transfer) contract in Zhuhai, China with one of the world's leading water operators. One of the sewage treatment plants have been commissioned and it is expected that the TOT/BOT contract will provide long-term steady incomes to the Group. The Group will capitalize on this valuable experience and expertise gained by seeking other water projects in China should appropriate opportunities arise.

PROPERTY DEVELOPMENT

During the year under review, the Group, through an associated company, has participated in a property development project at No. 111 King Lam Street, Kowloon for an office building development. Construction of the superstructure has been progressing smoothly with completion to be expected in early 2007.

During the year under review, the Group, through two associated companies, has further participated in two property development projects, one at Kowloon Bay for an industrial building development and one at San Po Kong for a shopping complex development. Both development projects are now undergoing planning stage.

PROSPECTS

Looking ahead, in the medium term, it is anticipated that construction market in both the private and public sectors will steadily recover in tandem with Hong Kong's rising economic activities and consumer confidence. In the short term, as a result of the uncertainties in the interest rates trend, the construction market arising from property-development projects will continue to be sluggish. The Group will focus on the high-end and professional construction markets, in particular the leisure areas like theme parks. The Group will also continue to adopt a prudent tendering approach and to increase competitiveness by consolidation of the operation.

In China, with the experience of the wastewater treatment plant in Zhuhai, the Group will prudently explore new investment opportunities.

In Hong Kong, the Group will concentrate on a few other areas on top of the traditional construction activities. With the long and harmonious relationship established with China Harbour Engineering Co. Ltd. in the last ten years, the Group continues to explore more co-operation opportunities in different areas. Hypsos Leisure Asia Limited, a joint venture with two European partners, has been actively tendering for works in the permanent exhibitions markets and it is expected that new projects in this area are forthcoming.

The Group anticipates to evolve gradually from a traditional low-value construction group to a diversified conglomerate comprising construction, property development, environmental engineering and investment, and high-value specialist construction in various areas related to leisure markets.

EMPLOYEES

During the year under review, the Group employed approximately 320 staff, excluding workers under exclusive sub-contracting arrangements.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2006, the Group's outstanding borrowings amounted to approximately HK$19,105,000 comprising interest-bearing bank borrowings repayable (i) within one year of approximately HK$15,602,000 and (ii) repayable over one year of approximately HK$3,503,000. As at 31 March 2006, the Group's banking facilities were supported by (i) legal charges over the Group's leasehold land and buildings, which are situated in Hong Kong, with carrying values of approximately HK$10,392,000; (ii) legal charges over the Group's investment property, which is situated in Hong Kong, with carrying value of approximately HK$4,400,000; (iii) pledged deposits of approximately HK$20,944,000 of the Group; (iv) corporate guarantees to the extent of approximately HK$52.1 million in aggregate executed by the Company in respect of banking facilities granted to certain subsidiaries of the Company; and (v) cross guarantees amongst certain subsidiaries of the Company.

The Group's gearing ratio as at 31 March 2006 was 0.07 (2005: 0.06), calculated based on the Group's total borrowings of approximately HK$19,105,000 (2005 (as restated): HK$18,605,000) over the Group's total assets of approximately HK$271,510,000 (2005 (as restated): HK$293,920,000).

The Group continues to adopt a policy of dealing principally with clients with whom the Group has enjoyed a long working relationship so as to minimize risks in its business.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

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

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

On behalf of the Board

Ng Tat Leung, George
Chairman and Managing Director

Hong Kong SAR, 20 July 2006

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2006.

PRINCIPAL ACTIVITIES

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

RESULTS AND DIVIDENDS

The Group's results for the year ended 31 March 2006 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 27 to 97.

The directors do not recommend the payment of any dividend in respect of the year ended 31 March 2006.

SUMMARY FINANCIAL INFORMATION

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

RESULTS

	Year ended 31 March				
	2006	2005	2004	2003	2002
	HK$'000	*HK$'000* (Restated)	*HK$'000*	*HK$'000*	*HK$'000*
Net profit/(loss) from ordinary activities attributable to shareholders	**(22,336)**	14,176	(2,862)	4,255	(28,264)

ASSETS, LIABILITIES AND MINORITY INTERESTS

	31 March				
	2006	2005	2004	2003	2002
	HK$'000	*HK$'000* (Restated)	*HK$'000*	*HK$'000*	*HK$'000*
TOTAL ASSETS	**271,510**	293,920	262,456	240,797	271,844
TOTAL LIABILITIES	**134,988**	155,413	145,396	120,703	158,300
MINORITY INTERESTS	**5,087**	4,265	3,018	2,602	1,537
	131,435	134,242	114,042	117,492	112,007

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

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and of the Group during the year are set out in note 17 to the financial statements.

INVESTMENT PROPERTY

Details of movements in the investment property of the Group during the year are set out in note 15 to the financial statements. Further details of the Group's investment property are set out on page 98 of this annual report.

SHARE CAPITAL AND SHARE OPTIONS

Details of the Company's share capital and share options are set out in notes 31 and 32 to the financial statements respectively.

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 33 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 March 2006, the Company's reserves available for distribution calculated in accordance with the Companies Act 1981 of Bermuda amounted to HK$5,762,000, the contributed surplus may only be distributed in certain circumstances which the Company is presently unable to meet. In addition, the Company's share premium account with a balance of HK$35,491,000 as at 31 March 2006 may be distributed in the form of fully paid bonus shares.

CONTINGENT LIABILITIES

Details of the Group's contingent liabilities during the year are set out in note 36 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for approximately 48% of the Group's total sales for the year. Purchases from the Group's five largest suppliers accounted for less than approximately 14% of the Group's total purchases for the year. In arriving at the relevant percentage, purchases during the year not yet charged to the income statement have been included.

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

DIRECTORS

The directors of the Company during the year were:

EXECUTIVE DIRECTORS:

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

NON-EXECUTIVE DIRECTOR:

Mr. Wang Xianzhang *(Honorary Chairman)*

INDEPENDENT NON-EXECUTIVE DIRECTORS:

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

In accordance with the Bye-law 98 of the Company's Bye-laws, Mr. Ng Tat Leung, George, Mr. Chan Wai Keung, Ivan and Mr. Wang Xianzhang shall retire from office, and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Ng Tat Leung, George, aged 47, is the chairman and managing director of the Company and has the responsibility for the marketing and business development of the Group, including overseeing the progress of all of the Group's projects and liaison with its suppliers, sub-contractors and clients. Mr. Ng holds a bachelor of science degree in civil engineering from the University of Hong Kong and a master of business administration degree from the Chinese University of Hong Kong. He has more than 24 years of experience in the construction industry. Mr. Ng joined the Group in 1984.

Mr. Wong Teck Ming, aged 48, is the Deputy Chairman of the Company. He holds a bachelor of science degree in civil engineering and a master's degree in civil and structural engineering from the University of Hong Kong. He is a corporate member of the Institution of Civil Engineers in the United Kingdom. Mr. Wong has more than 24 years of experience in the construction industry and specialises in design and site formation. He is in charge of the piling and foundation work, structural design and the quality control of the Group's projects. He joined the Group in 1992.

Mr. Chen Jinkui, aged 42, is responsible for advising the Group's business activities in Hong Kong and China. He is the General Manager of China Insurance Group Investment Holdings Company Limited, a wholly-owned subsidiary of China Insurance H.K. (Holdings) Company Limited. Mr. Chen acts as a director of Glado Development Limited, a wholly-owned subsidiary of China Insurance H.K. (Holdings) Company Limited which holds 15.65% shareholding of the Company as at 31 March 2006. Mr. Chen holds a bachelor of economics degree in The Central University of Finance and Economics and a master's degree in economics in the post-graduate finance research centre of the head office of the People's Bank of China. Mr. Chen has rich experience in banking and corporate finance management in China. Mr. Chen was appointed as an executive director of the Company on 31 March 2005.

Mr. Sun Haichao, aged 36, is responsible for advising the Group's business activities in Hong Kong and China. Mr. Sun holds a bachelor of economics degree in Peking University and is a Member of The Chinese Institute of Certified Public Accountants (not in practice). He has worked in various government departments and corporations in finance and management in China for many years. He is the Assistant General Manager of China Insurance Group Investment Holdings Company Limited, a wholly-owned subsidiary of China Insurance H.K. (Holdings) Company Limited. Mr. Sun was appointed as an executive director of the Company on 31 March 2005.

Mr. Lui Siu Yee, Samuel, aged 46, is the finance director of the Company. Mr. Lui has more than 24 years of finance and accounting experience. Prior to joining the Group in December 1994, he was the financial controller of Len Shing (Holdings) Company Limited, a Hong Kong property investment and development group.

Mr. Chan Wai Keung, Ivan, aged 35, is responsible for the development of office automation, information systems and mathematical operations research in the Group. He holds a bachelor of mathematics degree in computer science and combinatorics and optimisation from the University of Waterloo, Canada.

Mr. Lo Chung Sun, Simon, aged 52, is responsible for the undertaking of piling project works of the Group. Mr. Lo holds a master's degree in science from the University of Wales in the United Kingdom. He has more than 25 years of experience in the construction industry, and is a member of the Hong Kong Institution of Engineers and the Institution of Structural Engineers of the United Kingdom, as well as being a chartered engineer of the Engineering Council of the United Kingdom and a registered structural engineer with the Building Authority in Hong Kong. He joined the Group in May 1994 and was admitted to the Company's board of directors in December 2000.

NON-EXECUTIVE DIRECTOR

Mr. Wang Xianzhang, aged 65, is the honorary chairman of the Company. He is the vice-chairman and vice-president of the People's Insurance Company of China, and vice-chairman and president of China Insurance H.K. (Holdings) Company Limited. Mr. Wang graduated with a bachelor's degree in economics from the Finance and Economics University of Northeast China and has over 41 years of experience in finance, administration and management with the People's Insurance Company of China. Mr. Wang joined the Group in 1996.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wong Lit Chor, Alexis, aged 48, graduated from University of Toronto, Canada in 1981 with a bachelor's degree in arts and obtained a master of business administration degree from The Chinese University of Hong Kong in 1987. Mr. Wong has over 22 years of experience in the financial services industry and has served as senior executives in a number of listed financial services companies in Hong Kong. Mr. Wong was appointed as an independent non-executive director of the Company on 30 October 2003.

Dr. Leung Wai Cheung, aged 41, is currently the chief financial officer of FlexSystem Holdings Limited and the independent non-executive director and audit committee member of Mobicon Group Limited and Sino Prosper Holdings Limited which are listed companies in Hong Kong. Dr. Leung is a qualified accountant and chartered secretary with over 19 years of experience in accounting, auditing and financial management. He graduated from Curtin University with a Bachelor of Commerce degree majoring in accounting and subsequently obtained a postgraduate diploma in corporate administration, Master of Professional Accounting from the Hong Kong Polytechnic University and Doctor of Philosophy degree in Management from the Empresavial University of Costa Risa. He is an associate member of each of the Hong Kong Institute of Certified Public Accountants, CPA Australia, the Institute of Chartered Secretaries and Administrators, the Hong Kong Institute of Company Secretaries and the Taxation Institute of Hong Kong and a fellow member of the Association of Chartered Certified Accountants. Dr. Leung is also a visiting lecturer of the Open University of Hong Kong (LiPACE), Hong Kong University (SPACE), and Hong Kong Baptist University (SCE). Dr. Leung was appointed as an independent non-executive director of the Company on 10 June 2003.

Mr. Lo Ka Wai, aged 37, graduated from University of Wollongong, Australia in 1991 with a bachelor of commerce degree (with merit). Mr. Lo is a qualified accountant and is also a member of Hong Kong Institute of Certified Public Accountants and CPA Australia. He has more than 15 years of experience in accounting and corporate finance. Mr. Lo was appointed as an independent non-executive director of the Company on 20 September 2004.

SENIOR MANAGEMENT

Mr. Tse Siu Cheung, Edward, aged 46, is the projects director of W. Hing Construction Company Limited, a wholly-owned subsidiary of the Company. Mr. Tse holds a bachelor of arts degree in architectural studies and a bachelor's degree in architecture. He is a member of the Hong Kong Institute of Architects, an authorised person (List 1) and a registered architect with the Hong Kong government. He has over 19 years of local experience in both the design and project management of building development projects. He joined the Group in 1997. Mr. Tse has left the Group in May 2006.

Mr. So Chi Kong, Sunny, aged 47, is the director of Anpoint Engineering Limited, a wholly-owned subsidiary of the Company. Mr. So holds a bachelor of science degree in mechanical engineering and is a member of the Hong Kong Institution of Engineers. He has over 24 years of experience in electrical and mechanical works design and construction and is responsible for the marketing and business development of the Group. Mr. So has left the Group in January 2006.

Mr. Kam Kwai Wa, aged 45, is the senior project manager of CWF Piling & Civil Engineering Company Limited, a wholly-owned subsidiary of the Company, and is responsible for site planning and the supervision of foundation piling and superstructural works. Mr. Kam holds a higher certificate in civil engineering from the Hong Kong Polytechnic University and has more than 23 years of experience in the construction industry. He joined the Group in April 1994.

Mr. Chan Yau Chung, Louis, aged 34, is the qualified accountant of the Company and the financial controller of the Group. Mr. Chan holds a master degree in business administration from the University of Surrey in the United Kingdom, and is an associate member of the Hong Kong Institute of Certified Public Accountants and the Association of International Accountants. He has over 11 years of experience in audit, accounting and finance. Mr. Chan joined the Group in 2004.

DIRECTORS' SERVICE CONTRACTS

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

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

DIRECTORS' INTERESTS IN CONTRACTS

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

DIRECTORS' INTERESTS IN SHARE CAPITAL

At 31 March 2006, the interests and short positions of the directors in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO were as follows:

(1) LONG POSITIONS IN ORDINARY SHARES OF THE COMPANY

	Number of ordinary shares held			
Name of directors	**Personal interests**	**Corporate interests**	**Total interests in shares**	**Percentage of issued ordinary shares as at 31 March 2006**
Mr. Ng Tat Leung, George	200,000	71,818,000 *(Note (a))*	72,018,000	19.89%
Mr. Wong Teck Ming	200,000	–	200,000	0.06%
Mr. Lui Siu Yee, Samuel	204,000	–	204,000	0.06%

Note:

(a) These 71,818,000 shares are beneficially owned by Total Success Worldwide Limited, the entire issued share capital of which is owned as to approximately 46.46% by Mr. Chan Mo Yan, deceased, 46.46% by Mr. Ng Tat Leung, George and the remaining 7.08% by Mr. Wong Teck Ming. Accordingly, Mr. Ng Tat Leung, George, is deemed to be interested in all the shares in which Total Success Worldwide Limited is interested pursuant to the SFO.

(2) LONG POSITIONS IN UNDERLYING SHARES AND DEBENTURES AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

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

Save as disclosed herein, neither the directors nor any of their associates had any interests or short positions in shares, underlying shares or debentures of the Company or any of its associated corporations as at 31 March 2006 as defined in Section 352 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed under the heading "Directors' interests in share capital" above and in the share option scheme disclosures in note 32 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARE CAPITAL

At 31 March 2006, the following companies were interested in 5% or more of the issued share capital of the Company which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"):

(1) LONG POSITIONS IN ORDINARY SHARES AND UNDERLYING SHARES OF THE COMPANY

Name of shareholders	Number of ordinary shares held	Underlying shares of equity derivatives (i.e. warrant)	Total interest	Percentage of issued ordinary shares as at 31 March 2006
Total Success Worldwide Limited *(Note 1)*	71,818,000	–	71,818,000	19.84%
Glado Development Limited *(Note 2)*	45,000,000	–	45,000,000	12.43%
Grand Legend Limited *(Note 3)*	57,500,000	–	57,500,000	15.88%
Complete Success Limited *(Note 4)*	17,000,000	50,000,000	67,000,000	18.51%

Notes:

(1) Total Success Worldwide Limited owns 71,818,000 shares of the Company. The entire issued share capital of Total Success Worldwide Limited is owned as to approximately 46.46% by Mr. Chan Mo Yan, deceased, 46.46% by Mr. Ng Tat Leung, George and the remaining 7.08% by Mr. Wong Teck Ming. Accordingly, Mr. Chan Mo Yan, deceased and Mr. Ng Tat Leung, George are deemed to be interested in all the shares in which Total Success Worldwide Limited is interested pursuant to the SFO.

(2) The issued share capital of Glado Development Limited is owned as to 99% by Tellon Development Limited, which is an indirect wholly owned subsidiary of China Insurance (Holdings) Company, Limited, a state-owned joint stock limited company established in the People's Republic of China.

(3) The entire issued share capital of Grand Legend Limited is owned by Mr. Lo Chun Yang. Ms. Loh Siu Yin, Lulu is the spouse of Mr. Lo Chun Yang. Accordingly, Mr. Lo Chun Yang and Ms. Loh Siu Yin, Lulu are deemed to be interested in all the shares in which Grand Legend Limited is interested pursuant to the SFO.

(4) The entire issued share capital of Complete Success Limited is owned by Ms. Li Dan Dan.

(2) SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

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

Save as disclosed herein, as at 31 March 2006, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests in share capital" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

SUBSEQUENT EVENTS

Details of the significant subsequent events of the Group are set out in note 38 to the financial statements.

CORPORATE GOVERNANCE

The Company has applied the principles and complied with all the applicable code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the year ended 31 March 2006, except for the deviation from provision A.2.1 of the Code in respect of the roles of chairman and chief executive officer of the Company. Corporate Governance Report is set out in pages 18 to 24 of this annual report.

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

The AC's principal duties include reviewing the Group's financial controls, internal control and risk management systems, reviewing and monitoring integrity of financial statements and reviewing annual and interim financial statements and reports before submission to the Board. During the year, the AC has reviewed the annual and interim results of the Company for the year ended 31 March 2006 and was content that the accounting policies of the Group are in accordance with the generally accepted accounting practices in Hong Kong.

PUBLIC FLOAT

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

ANNUAL CONFIRMATION OF INDEPENDENCE

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

AUDITORS

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

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

On behalf of the Board

Ng Tat Leung, George
Chairman and Managing Director

Hong Kong
20 July 2006

Corporate Governance Report

The Board of Directors (the "Board") of Wing Hing International (Holdings) Limited (the "Company") considers that good corporate governance of the Company can protect and safeguard the interests of the shareholders and to enhance the performance of the Company. The Board is committed to maintaining and ensuring high standards of corporate governance. The Company has applied the principles and complied with all the applicable code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") for the year ended 31 March 2006, except for the deviation from provision A.2.1 of the Code in respect of the roles of chairman and chief executive officer of the Company. The Board will continuously review and improve the corporate governance practices and standards of the Company to ensure that business activities and decision making processes are regulated in a proper and prudent manner.

CORPORATE GOVERNANCE PRACTICES

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

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

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

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

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

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

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

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

DIRECTORS' SECURITIES TRANSACTIONS

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

BOARD OF DIRECTORS

The Board currently comprises eleven members as follows:

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

Non-executive Director:
Mr. Wang Xianzhang *(Honorary Chairman)*

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

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

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

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

There is no relationship between members of the Board.

The Board held seventeen meetings during the financial year ended 31 March 2006. Details of attendance of individual director at board meetings are set out as below:

Name of Directors	**Number of meetings held**	**Number of meetings attended**
Mr. Ng Tat Leung, George	17	17
Mr. Wong Teck Ming	17	17
Mr. Chen Jinkui	17	1
Mr. Sun Haichao	17	1
Mr. Lui Siu Yee, Samuel	17	17
Mr. Chan Wai Keung, Ivan	17	3
Mr. Lo Chung Sun, Simon	17	4
Mr. Wang Xianzhang	17	0
Mr. Wong Lit Chor, Alexis	17	8
Dr. Leung Wai Cheung	17	6
Mr. Lo Ka Wai	17	8

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

The duties of Chairman and CEO rests on the same individual which deviates from the Code provision as set out in Appendix 14 of the Listing Rules. The Company does not appoint CEO and is not considering to appoint one in view of the strong leadership from Mr. Ng which allows configuration of resources of the Company in order to focus on the Company's business. Mr. Ng has more than 24 years of experience in the construction industry. The Board considers that Mr. Ng is capable to guide discussions and brief the Board in a timely manner on pertinent issues. The Board also considers that this structure will not impair the balance of power and authority between the Board and the management given that there are strong and independent non-executive directors on the Board and a clear division of responsibility for running the business of the Company.

NON-EXECUTIVE DIRECTOR

The Company has one Non-executive Director. The Non-executive Director has not entered into a service contract with the Company and is subject to the rotational retirement and re-election requirements at the Annual General Meeting pursuant to the Bye-laws of the Company.

REMUNERATION OF DIRECTORS

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

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

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

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

No RC meeting has been held during the financial year ended 31 March 2006 to review the remuneration packages of directors and senior management, which are nominal by market standards and the Company's performance. The Board considered that the existing remuneration packages to each director and senior management are reasonable and appropriate with reference to the financial performance of the Company, employment and market conditions as a whole.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

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

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

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

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

No NC meeting has been held during the financial year ended 31 March 2006 to make recommendations to the Board regarding the Board appointment. In accordance with the Company's Articles of Association, one-third of the directors who have been longest in office since their last election or re-election are subject to retirement by rotation. All retiring directors are eligible for re-election.

AUDIT COMMITTEE

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

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

The AC meets regularly to review the financial results and other information to shareholders, the system of internal control and risk management. The AC also provides an important link between the Board and the Company's auditors in matters within the scope of its terms of reference and keeps under review the independence of auditors. During the year, the AC has reviewed the annual and interim results of the Company for the year ended 31 March 2006 and was content that the accounting policies of the Group are in accordance with the generally accepted accounting practices in Hong Kong.

The financial statements of the Company for the year have been audited by HLB Hodgson Impey Cheng ("HLB"). During the year, remuneration of approximately HK$590,000 was paid to HLB for the provision of audit services. In addition, approximately HK$75,000 was paid to HLB for other non-audit services for preparation of an accountants' report for inclusion in a very substantial acquisition circular issued by the Company during the year.

During the financial year ended 31 March 2006, two AC meetings were held and the individual attendance of each member is set out below:

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

ACCOUNTABILITY AND AUDIT

The directors are responsible for the preparation of financial statements for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. In preparing the financial statements for the year ended 31 March 2006, the directors have selected suitable accounting policies and applied them consistently, adopted appropriate Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards, made adjustments and estimates that are prudent and reasonable, and have prepared the financial statements on the going concern basis. The directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company.

INTERNAL CONTROLS

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

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

COMMUNICATION WITH SHAREHOLDERS

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

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

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

HLB 國衛會計師事務所
Hodgson Impey Cheng

Chartered Accountants
Certified Public Accountants

TO THE SHAREHOLDERS OF
WING HING INTERNATIONAL (HOLDINGS) LIMITED
(FORMERLY KNOWN AS CIG-WH INTERNATIONAL (HOLDINGS) LIMITED)
(Incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 27 to 97 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

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

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. 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 our opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Group and of the Company as at 31 March 2006 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

Hong Kong, 20 July 2006

Consolidated Income Statement

For the year ended 31 March 2006

	Notes	2006 HK$'000	2005 HK$'000 (As restated)
Turnover	7	**494,445**	434,801
Cost of sales	8	**(490,730)**	(401,079)
Gross profit		**3,715**	33,722
Other revenue	7	**13,294**	6,968
Administrative expenses		**(42,019)**	(30,137)
Other operating income/(expenses), net	9	**4,889**	517
(Loss)/Profit from operations	8	**(20,121)**	11,070
Finance costs	10	**(890)**	(870)
Share of profits less losses of			
Jointly-controlled entities	19	**800**	3,602
Associates	20	**(413)**	176
(Loss)/Profit before tax		**(20,624)**	13,978
Taxation	13	**(369)**	520
(Loss)/Profit for the year		**(20,993)**	14,498
Attributable to:			
Equity holders of the Company	12	**(22,336)**	14,176
Minority interests		**1,343**	322
		(20,993)	14,498
Dividend		**–**	–
(Loss)/Earnings per share for (loss)/profit attributable to equity holders of the Company			
Basic	11	**HK(64.1) cents**	HK49.3 cents
Diluted	11	**N/A**	HK43.1 cents

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

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

CONSOLIDATED BALANCE SHEET

As at 31 March 2006

	Notes	2006 HK$'000	2005 HK$'000 (As restated)
Non-current assets			
Investment property	15	**4,400**	4,000
Prepaid land lease payments	16	**692**	709
Property, plant and equipment	17	**23,997**	24,776
Goodwill	18	**2,308**	2,308
Interests in jointly-controlled entities	19	**37,621**	46,107
Interests in associates	20	**17,704**	10,770
Available-for-sale equity investment	22	**1**	–
Amount due from an investee entity	22	**13,164**	–
Contract retention receivables	23	**3,963**	6,762
Deferred tax assets	29	**–**	136
		103,850	95,568
Current assets			
Accounts receivable	23	**114,553**	131,154
Other receivables	24	**13,698**	19,148
Pledged deposits	25, 28	**20,944**	35,025
Cash and cash equivalents	25	**18,465**	13,025
		167,660	198,352
Current liabilities			
Accounts payable	26	**100,921**	107,176
Current tax liabilities		**657**	716
Other payables and accruals	27	**13,808**	28,916
Convertible Note	30	**–**	11,218
Bank loans and overdrafts, secured	28	**15,602**	7,387
		130,988	155,413
Net current assets		**36,672**	42,939
Total assets less current liabilities		**140,522**	138,507
Non-current liabilities			
Bank loans and overdrafts, secured	28	**3,503**	–
Deferred tax liabilities	29	**497**	–
		4,000	–
Net assets		**136,522**	138,507

As at 31 March 2006

	Notes	2006 HK$'000	2005 HK$'000 (As restated)
Capital and reserves			
Issued share capital	*31*	**36,200**	28,750
Reserves		**95,235**	105,492
Equity attributable to the equity holders of the Company		**131,435**	134,242
Minority interests		**5,087**	4,265
Total equity		**136,522**	138,507

The financial statements were approved and authorized for issue by the Board of Directors on 20 July 2006 and signed on its behalf by:

Ng Tat Leung, George
Director

Lui Siu Yee, Samuel
Director

BALANCE SHEET

As at 31 March 2006

	Notes	2006 HK$'000	2005 HK$'000 (As restated)
Non-current assets			
Property, plant and equipment	17	**394**	633
Interests in subsidiaries	21	**107,012**	107,012
		107,406	107,645
Current assets			
Amounts due from subsidiaries	21	**25,650**	13,763
Amounts due from associates		**–**	991
Prepayments, deposits and other receivables		**921**	133
Bank balances and cash	25	**68**	333
		26,639	15,220
Current liabilities			
Amounts due to subsidiaries	21	**3,365**	2,913
Other payables and accruals		**665**	550
Convertible Note	30	**–**	11,218
		4,030	14,681
Net current assets		**22,609**	539
Net assets		**130,015**	108,184
Capital and reserves			
Issued share capital	31	**36,200**	28,750
Reserves	33	**93,815**	79,434
		130,015	108,184

Ng Tat Leung, George
Director

Lui Siu Yee, Samuel
Director

For the year ended 31 March 2006

	Attributable to the equity holders of the Company										
	Share capital	Share premium	Contributed surplus	Asset revaluation reserve	Investment property revaluation reserve	Warrant reserve	Convertible Note equity reserve	Retained profits/ (accumulated losses)	Total	Minority interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 April 2004:											
– as previously reported	28,750	166,405	1,781	14,268	4,649	–	–	(101,811)	114,042	–	114,042
– effect of changes in accounting policies *(note 2)*	–	–	–	(296)	(4,649)	–	–	4,671	(274)	3,018	2,744
– as restated	28,750	166,405	1,781	13,972	–	–	–	(97,140)	113,768	3,018	116,786
Net income recognized directly in equity:											
Gain on revaluation of property, plant and equipment	–	–	–	5,389	–	–	–	–	5,389	75	5,464
Deferred tax adjustment on revaluation of property, plant and equipment *(note 29)*	–	–	–	237	–	–	–	–	237	–	237
Release of asset revaluation reserve upon disposal of property, plant and equipment	–	–	–	(3,987)	–	–	–	3,987	–	–	–
Net income recognized directly in equity	–	–	–	1,639	–	–	–	3,987	5,626	75	5,701
Profit for the year	–	–	–	–	–	–	–	14,176	14,176	322	14,498
Total income and expenses recognized for the year	**–**	**–**	**–**	**1,639**	**–**	**–**	**–**	**18,163**	**19,802**	**397**	**20,199**
Acquisition of additional interest in a subsidiary	–	–	–	–	–	–	–	–	–	242	242
Recognition of equity component of Convertible Note	–	–	–	–	–	–	672	–	672	–	672
Capital contributions from minority shareholders	–	–	–	–	–	–	–	–	–	608	608
As at 31 March 2005 and 1 April 2005 (as restated)	**28,750**	**166,405***	**1,781***	**15,611***	**–***	**–***	**672***	**(78,977)***	**134,242**	**4,265**	**138,507**

Consolidated Statement of Changes in Equity

For the year ended 31 March 2006

	Attributable to the equity holders of the Company										
	Share capital	Share premium	Contributed surplus	Asset revaluation reserve	Investment property revaluation reserve	Warrant reserve	Convertible Note equity reserve	Retained profits/ (accumulated losses)	Total	Minority interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 March 2005 and 1 April 2005 (as restated)	**28,750**	**166,405***	**1,781***	**15,611***	**–***	**–***	**672***	**(78,977)***	**134,242**	**4,265**	**138,507**
Net income recognized directly in equity:											
Gain on revaluation of property, plant and equipment	–	–	–	4,083	–	–	–	–	4,083	130	4,213
Loss on revaluation of property, plant and equipment	–	–	–	(5)	–	–	–	–	(5)	(1)	(6)
Deferred tax adjustment on revaluation of property, plant and equipment *(note 29)*	–	–	–	(221)	–	–	–	–	(221)	–	(221)
Release of asset revaluation reserve upon disposal of property, plant and equipment	–	–	–	(980)	–	–	–	980	–	–	–
Net income recognized directly in equity	–	–	–	2,877	–	–	–	980	3,857	129	3,986
Loss for the year	–	–	–	–	–	–	–	(22,336)	(22,336)	1,343	(20,993)
Total income and expenses recognized for the year	**–**	**–**	**–**	**2,877**	**–**	**–**	**–**	**(21,356)**	**(18,479)**	**1,472**	**(17,007)**
Issue of shares upon conversion of Convertible Note *(note 30)*	5,750	6,194	–	–	–	–	(672)	–	11,272	–	11,272
Capital Reduction *(note 33)*	–	(138,808)	–	–	–	–	–	138,808	–	–	–
Acquisition of additional interest in a subsidiary *(note 34(i))*:											
– Issue of Consideration Shares	1,700	1,700	–	–	–	–	–	–	3,400	–	3,400
– Issue of warrants	–	–	–	–	–	1,000	–	–	1,000	–	1,000
Dividend paid to minority shareholders	–	–	–	–	–	–	–	–	–	(650)	(650)
As at 31 March 2006	**36,200**	**35,491***	**1,781***	**18,488***	**–***	**1,000***	**–**	**38,475***	**131,435**	**5,087**	**136,522**

* *These reserve accounts comprise the consolidated reserves of HK$95,235,000 (2005 (as restated): HK$105,492,000) in the consolidated balance sheet.*

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

Consolidated Cash Flow Statement

For the year ended 31 March 2006

	Notes	2006 HK$'000	2005 HK$'000 (As restated)
Cash flows from operating activities			
(Loss)/Profit from operations		**(20,121)**	11,070
Adjustments for:			
Interest income		**(908)**	(261)
Depreciation of property, plant and equipment		**5,451**	4,078
Amortization of prepaid land lease payments		**17**	17
Amortization of goodwill		**–**	577
Loss on disposal of property, plant and equipment		**195**	26
Loss on disposal of an associate		**710**	–
Provision for amounts due from contract customers		**1,894**	2,487
Gain on revaluation of an investment property		**(400)**	(2,500)
Gain on revaluation of leasehold buildings		**–**	(438)
Loss on revaluation of plant and machinery and motor vehicles		**58**	–
Gain on disposal of subsidiaries		**–**	(92)
Write back of long outstanding payables		**(7,346)**	–
Operating cash flows before changes in working capital		**(20,450)**	14,964
Accounts receivable		**19,624**	343
Balances with jointly-controlled entities		**9,429**	(5,061)
Balances with associates		**(2,503)**	8,606
Balances with related companies		**1,895**	2,818
Balances with minority shareholders		**(1,179)**	6,042
Prepayments, deposits and other receivables		**2,507**	141
Accounts payable		**(8,006)**	4,826
Other payables and accruals		**46**	(6,610)
Net cash generated from operations		**1,363**	26,069
Interest paid		**(836)**	(480)
Hong Kong profits tax paid		**(16)**	(7)
Net cash generated from operating activities		**511**	25,582
Cash flows from investing activities			
Interest received		**908**	261
Dividends received from jointly-controlled entities		**9,286**	5,650
Dividends received from an associate		**2,449**	–
Addition of prepaid land lease payments		**–**	(500)
Purchases of property, plant and equipment		**(913)**	(6,251)
Acquisition of subsidiaries	*34*	**(9,663)**	293
Disposal of subsidiaries	*34*	**–**	(9)
Acquisition of associates		**(850)**	–
Advance to associates		**(8,946)**	(8,316)
Acquisition of available-for-sale equity investment		**(1)**	–
Advance to an investee entity		**(13,164)**	–
Proceeds from disposal of property, plant and equipment		**66**	294
Capital contribution to jointly-controlled entities		**–**	(15,573)
Decrease in pledged bank deposits		**14,081**	2,350
Net cash used in investing activities		**(6,747)**	(21,801)

Consolidated Cash Flow Statement

For the year ended 31 March 2006

	Notes	2006 HK$'000	2005 HK$'000 (As restated)
Cash flows from financing activities			
New bank loans		**6,120**	–
Repayment of bank loans		**(195)**	(11,168)
New trust receipt loans		**37,379**	3,680
Repayment of trust receipt loans		**(27,943)**	(611)
Capital contributions from minority shareholders		**608**	–
Dividend paid to minority shareholders		**(650)**	–
Proceeds from issue of Convertible Note		**–**	11,500
Net cash generated from financing activities		**15,319**	3,401
Net increase in cash and cash equivalents		**9,083**	7,182
Cash and cash equivalents as at 1 April 2005/2004		**9,318**	2,136
Cash and cash equivalents as at 31 March 2006/2005		**18,401**	9,318
Analysis of balances of cash and cash equivalents			
Bank balances and cash		**18,465**	13,025
Bank overdrafts		**(64)**	(3,707)
		18,401	9,318

1. CORPORATE INFORMATION

Wing Hing International (Holdings) Limited (the "Company") was incorporated with limited liability in Bermuda under the Companies Act of Bermuda. The shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 18 December 1995.

The Company's registered office is situated at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda. The principal place of business of the Company is located at 14th Floor, Yau Lee Centre, 45 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong.

Pursuant to the special resolution passed by the Company's shareholders at the special general meeting of the Company held on 9 December 2005, the name of the Company was changed from "CIG-WH International (Holdings) Limited" to "Wing Hing International (Holdings) Limited" with effect from 20 December 2005.

During the year, the Group was principally involved in the undertaking of superstructure construction, foundation piling, substructure works, slope improvement, special construction projects, interior decoration and landscaping works in Hong Kong.

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

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/ CHANGES IN ACCOUNTING POLICIES

In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are effective for accounting periods beginning on or after 1 January 2005. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting years are prepared and presented:

CHANGES IN PRESENTATION

HKAS 1 has affected the presentation of minority interests, share of tax of jointly-controlled entities and associates, and other disclosures.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/ CHANGES IN ACCOUNTING POLICIES *(CONTINUED)*

CHANGES IN PRESENTATION *(CONTINUED)*

MINORITY INTERESTS

In prior years, minority interests in the results of the Group for the year were separately presented in the consolidated income statement as a deduction before arriving at profit/(loss) attributable to shareholders (the equity holders of the Company). With effect from 1 April 2005, in order to comply with HKAS 1, the Group has changed its accounting policy relating to the presentation of minority interests. Under the new policy, minority interests are presented in the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and equity holders of the Company, and are presented as part of equity, separately from interests attributable to the equity holders of the Company on the consolidated balance sheet. These changes in presentation have been applied retrospectively with comparatives restated.

SHARE OF NET AFTER-TAX RESULTS OF JOINTLY-CONTROLLED ENTITIES, ASSOCIATES AND OTHER DISCLOSURES

In prior years, the Group's share of taxation of jointly-controlled entities and associates accounted for using the equity method was included as part of the Group's income tax in the consolidated income statement. With effect from 1 April 2005, in accordance with the implementation guidance in HKAS 1, the Group has changed the presentation and includes the share of taxation of jointly controlled entities and associates accounted for using the equity method in the respective shares of profit or loss reported in the consolidated income statement before arriving at the Group's profit or loss before tax. These changes in presentation have been applied retrospectively with comparatives restated.

BUSINESS COMBINATIONS

In the current year, the Group has applied HKFRS 3 "Business Combinations" ("HKFRS 3") which is effective for business combination for which the agreement date is on or after 1 January 2005 and for goodwill and negative goodwill existed on or before 1 January 2005. The principal effects of the application of transitional provision of HKFRS 3 to the Group are summarized below:

GOODWILL

In previous years, goodwill arising on acquisition was capitalized and amortized over its estimated useful life. The Group has applied the relevant transitional provisions in HKFRS 3 with respect to goodwill arising on acquisitions of subsidiaries presented separately in the balance sheet. The Group on 1 April 2005 eliminated the carrying amount of the related accumulated amortization with a corresponding decrease in the cost of goodwill. The Group has discontinued amortizing such goodwill from 1 April 2005 onwards and such goodwill will be tested for impairment at least annually. Goodwill arising on acquisition after 1 January 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition. As a result of this change in accounting policy, no amortization of goodwill has been charged in the current year. In accordance with the transitional provisions of HKFRS 3, comparative amounts have not been restated.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/ CHANGES IN ACCOUNTING POLICIES *(CONTINUED)*

INVESTMENT PROPERTY

In the current year, the Group has, for the first time, applied HKAS 40 "Investment Property". The Group has elected to use the fair value model to account for its investment property which requires gains or losses arising from changes in the fair value of investment property to be recognized directly in profit or loss for the year in which they arise. In previous years, investment property under the predecessor standard was measured at open market values, with revaluation surplus or deficits credited or charged to the investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and a revaluation surplus subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged. The Group has applied the relevant transitional rules in HKAS 40 and elected to apply HKAS 40 retrospectively. As a result of the change in accounting policy, the investment property revaluation reserve of approximately HK$4,649,000 as at 1 April 2004 has been transferred to the Group's retained profits. Other operating income for the years ended 31 March 2005 and 31 March 2006 has been increased by approximately HK$1,650,000 and HK$400,000 respectively.

OWNER-OCCUPIED LEASEHOLD INTEREST IN LAND

In previous years, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the revaluation model. In the current year, the Group has applied HKAS 17 "Leases". Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortized over the lease term on a straight-line basis. This change in accounting policy has been applied retrospectively with comparatives restated.

FINANCIAL INSTRUMENTS

In the current year, the Group has applied HKAS 32 "Financial instruments: Disclosure and Presentation" and HKAS 39 "Financial instruments: Recognition and Measurement". HKAS 32 requires retrospective application. HKAS 39, which is effective for annual periods beginning on or after 1 January 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 32 and HKAS 39 are summarized below:

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/ CHANGES IN ACCOUNTING POLICIES *(CONTINUED)*

FINANCIAL INSTRUMENTS *(CONTINUED)*

CONVERTIBLE NOTE

The principal impact of HKAS 32 on the Group is in relation to the Convertible Note issued by the Company that contains both liability and equity components. Previously, the Convertible Note was classified as liabilities on the balance sheet. HKAS 32 requires an issuer of a compound financial instrument that contains both financial liability and equity components to separate the compound financial instrument into the liability and equity components on initial recognition and to account for these components separately. In subsequent periods, the liability component is carried at amortized cost using the effective interest method.

CLASSIFICATION AND MEASUREMENT OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group has applied the relevant transitional provisions in HKAS 39 with respect to the classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

DEBT AND EQUITY SECURITIES PREVIOUSLY ACCOUNTED FOR UNDER THE BENCHMARK TREATMENT OF STATEMENT OF STANDARD ACCOUNTING PRACTICE ("SSAP") 24

By 31 March 2005, the Group classified and measured its debt and equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice 24 (SSAP 24). Under SSAP 24, investments in debt or equity securities are classified as "investment securities", "other investments" or "held-to-maturity investments" as appropriate. "Investment securities" are carried at cost less impairment losses (if any) while "other investments" are measured at fair value, with unrealized gains or losses included in profit or loss. Held-to-maturity investments are carried at amortized cost less impairment losses (if any). From 1 April 2005 onwards, the Group has classified and measured its debt and equity securities in accordance with HKAS 39.

Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". "Financial assets at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognized in profit or loss and equity respectively. Available-for-sale equity investments that do not have quoted market prices 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 are measured at cost less impairment after initial recognition. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortized cost using the effective interest method after initial recognition.

The adoption of this new standard has had no material effect on how the results for the prior accounting years are prepared and presented. Accordingly, no adjustment has been required on 1 April 2005.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/ CHANGES IN ACCOUNTING POLICIES *(CONTINUED)*

FINANCIAL INSTRUMENTS *(CONTINUED)*

FINANCIAL ASSETS AND FINANCIAL LIABILITIES OTHER THAN DEBT AND EQUITY SECURITIES

From 1 April 2005 onwards, the Group has classified and measured its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. As mentioned above, financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "other financial liabilities". Financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value being recognized in profit or loss directly. Other financial liabilities are carried at amortized cost using the effective interest method after initial recognition. Save for the Convertible Note, this change has had no material effect on the results for the current and prior accounting periods.

SHARE-BASED PAYMENTS

In the current year, the Group has applied HKFRS 2 "Share-based Payment" which requires an expense to be recognized where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of share options granted to directors and employees of the Company, determined at the date of grant of the share options, over the vesting period. Prior to the application of HKFRS 2, the Group did not recognize the financial effect of these share options until they were exercised. The Group is required to apply HKFRS 2 retrospectively to share options that were granted after 7 November 2002 and had not yet vested on 1 January 2005. The adoption of this new standard has had no material effect on how the results for the prior accounting years are prepared and presented as the Company has no share options granted as of 31 March 2006.

SUMMARY OF EFFECTS OF CHANGES IN ACCOUNTING POLICIES

Effect on the balances of equity at 1 April 2004

	HKAS 1	**HKAS 17**	**HKAS 40**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Decrease in asset revaluation reserve	–	296	–	296
Decrease in investment property revaluation reserve	–	–	4,649	4,649
Increase in retained profits	–	(22)	(4,649)	(4,671)
Increase in minority interests	(3,018)	–	–	(3,018)
Increase in total equity				(2,744)

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/ CHANGES IN ACCOUNTING POLICIES *(CONTINUED)*

SUMMARY OF EFFECTS OF CHANGES IN ACCOUNTING POLICIES *(CONTINUED)*

The following tables disclose the adjustments that have been made in accordance with the transitional provision of the respective new and revised HKFRSs to the affected items in the consolidated income statement and balance sheet as previously reported for the year ended 31 March 2005 as a result of the changes in accounting policies.

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

	HKAS 17	**HKAS 40**	**HKAS 32**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Increase in amortization of prepaid land lease payments	17	–	–	17
Decrease in depreciation	(23)	–	–	(23)
Increase in finance costs	–	–	397	397
Decrease in gain on revaluation of leasehold land	162	–	–	162
Increase in gain on revaluation of investment property	–	(1,650)	–	(1,650)
(Increase)/decrease in profit for the year	156	(1,650)	397	(1,097)
(Increase)/decrease in basic earnings per share (in cents)	0.54	(5.74)	1.38	(3.82)
(Increase)/decrease in diluted earnings per share (in cents)	0.46	(4.87)	1.17	(3.24)

Effect on the consolidated balance sheet as at 31 March 2005

	HKAS 17	**HKAS 40**	**HKAS 32**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Increase in prepaid land lease payments	709	–	–	709
Decrease in property, plant and equipment	(1,850)	–	–	(1,850)
Increase in other payables and accruals	–	–	(7)	(7)
Decrease in Convertible Note	–	–	282	282
Decrease in asset revaluation reserve	1,007	–	–	1,007
Increase in Convertible Note equity reserve	–	–	(672)	(672)
Decrease in investment property revaluation reserve	–	6,299	–	6,299
(Increase)/decrease in retained profits	134	(6,299)	397	(5,768)

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/ CHANGES IN ACCOUNTING POLICIES *(CONTINUED)*

SUMMARY OF EFFECTS OF CHANGES IN ACCOUNTING POLICIES *(CONTINUED)*

The following tables provide estimates of the extent to which the affected items in the consolidated income statement and balance sheet for the year ended 31 March 2006 is higher or lower than it would have been had the previous policies still been applied in the year, where it is practicable to make such estimates. In addition, the adjustments that have been made to the opening balances as at 1 April 2005, which are the aggregate effect of retrospective adjustments as at 31 March 2005, the opening balance adjustments made as at 1 April 2005 to each of the affected items in the consolidated balance sheet are also included.

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

	HKAS 17	HKAS 40	HKAS 36 & HKFRS 3	HKAS 32	Total
-	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Increase in amortization of prepaid land lease payments	17	–	–	–	17
Decrease in depreciation	(23)	–	–	–	(23)
Increase in gain on revaluation of investment property	–	(400)	–	–	(400)
Decrease in amortization of goodwill	–	–	(577)	–	(577)
Increase in finance costs	–	–	–	48	48
Increase/(decrease) in loss for the year	(6)	(400)	(577)	48	(935)
Increase/(decrease) in basic loss per share (in cents)	(0.02)	(1.15)	(1.66)	0.14	(2.69)
Increase/(decrease) in diluted loss per share (in cents)	N/A	N/A	N/A	N/A	N/A

For the year ended 31 March 2006

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/ CHANGES IN ACCOUNTING POLICIES *(CONTINUED)*

SUMMARY OF EFFECTS OF CHANGES IN ACCOUNTING POLICIES *(CONTINUED)*

Effect on the consolidated balance sheet as at 31 March 2006

	HKAS 17	HKAS 40	HKAS 36 & HKFRS 3	HKAS 32	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Decrease in cost of goodwill	–	–	(577)	–	(577)
Decrease in accumulated amortization of goodwill	–	–	1,154	–	1,154
Increase in prepaid land lease payments	692	–	–	–	692
Decrease in property, plant and equipment	(2,650)	–	–	–	(2,650)
Increase in share premium	–	–	–	(445)	(445)
Decrease in asset revaluation reserve	1,807	–	–	–	1,807
Decrease in investment property revaluation reserve	–	400	–	–	400
(Increase)/decrease in retained profits	151	(400)	(577)	445	(381)

The HKICPA has issued the following standards and interpretations that are not yet effective. The Group has considered the following standards and interpretations but does not expect they will have a material effect on how the results of operations and financial position of the Group are prepared and presented.

		Notes
HKAS 1 (Amendment)	Capital Disclosures	*1*
HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures	*2*
HKAS 21 (Amendment)	Net Investment in a Foreign Operation	*2*
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions	*2*
HKAS 39 (Amendment)	The Fair Value Option	*2*
HKAS 39 & HKFRS 4 (Amendments)	Financial Guarantee Contracts	*2*
HKFRS 6	Exploration for and Evaluation of Mineral Resources	*2*
HKFRS 7	Financial Instruments: Disclosures	*1*
HKFRS-Int 4	Determining whether an Arrangement Contains a Lease	*2*
HKFRS-Int 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	*2*
HK(IFRIC)-Int 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment	*3*
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies	*4*
HK(IFRIC)-Int 8	Scope of HKFRS 2	*5*
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives	*6*

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/ CHANGES IN ACCOUNTING POLICIES *(CONTINUED)*

SUMMARY OF EFFECTS OF CHANGES IN ACCOUNTING POLICIES *(CONTINUED)*

Notes:

1. Effective for annual periods beginning on or after 1 January 2007
2. Effective for annual periods beginning on or after 1 January 2006
3. Effective for annual periods beginning on or after 1 December 2005
4. Effective for annual periods beginning on or after 1 March 2006
5. Effective for annual periods beginning on or after 1 May 2006
6. Effective for annual periods beginning on or after 1 June 2006

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared in accordance with HKFRSs. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance.

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries.

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 significant 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 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

BUSINESS COMBINATIONS

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities, where appropriate, are recognized at their fair values at the acquisition date.

A subsidiary is a company that is controlled by the Company, where the Company has the power to govern the financial and operating policies of such company so as to obtain benefits from its activities.

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

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

JOINTLY-CONTROLLED ENTITIES

A jointly-controlled entity is a joint venture company which is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

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

Where the Group transacts with its jointly-controlled entities, unrealized profits and losses are eliminated to the extent of the Group's interest in the joint venture.

INTERESTS IN ASSOCIATES

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

INTERESTS IN ASSOCIATES *(CONTINUED)*

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Groups' net investment in the associate) are not recognised.

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

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

GOODWILL

CAPITALIZED GOODWILL ARISING ON ACQUISITION PRIOR 1 JANUARY 2005

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

For previously capitalized goodwill arising on acquisitions after 1 January 2001, the Group has discontinued amortization from 1 April 2005 onwards, and such goodwill is tested for impairment annually, and whenever there is an indication that the cash-generating unit to which the goodwill relates may be impaired.

CAPITALIZED GOODWILL ARISING ON ACQUISITION ON OR AFTER 1 JANUARY 2005

Goodwill arising on an acquisition of a subsidiary, an associate or a jointly-controlled entity represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary, associate or jointly-controlled entity recognized at the date of acquisition. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

GOODWILL *(CONTINUED)*

IMPAIRMENT TESTING ON CAPITALIZED GOODWILL

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.

On subsequent disposal of a subsidiary or a jointly-controlled entity or an associate, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, other than investment properties, are stated at cost or valuation 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 income statement 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 capitalized as an additional cost of that asset.

Changes in the values of property, plant and equipment, other than investment properties, are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual basis, the excess of the deficit is charged to the income statement account. Any subsequent revaluation surplus is credited to the income statement account to the extent of the deficit previously charged. On disposal of a revalued property, plant and equipment, the relevant portion of the asset revaluation reserve realized in respect of previous valuations is transferred to retained profits as a movement in reserves.

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

Medium term leasehold buildings	Over the lease terms
Plant and machinery	10%
Furniture and equipment	20%
Motor vehicles	20%

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

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

INVESTMENT PROPERTY

Investment property, which is property held to earn rentals and/or for capital appreciation, is stated at its fair value at the balance sheet date. Gains or losses arising from changes in the fair values of investment property are included in profit or loss for the period in which they arise.

FINANCIAL INSTRUMENTS

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

FINANCIAL ASSETS

Financial assets of the Group are classified as "available-for-sale financial assets" and "loans and receivables". "Available-for-sale financial assets" are carried at fair value, with changes in fair values recognized in equity. Available-for-sale equity investments that do not have quoted market prices 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 are measured at cost less impairment after initial recognition. "Loans and receivables" are measured at amortized cost using the effective interest method after initial recognition.

LOANS AND RECEIVABLES

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

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

FINANCIAL ASSETS *(CONTINUED)*

AVAILABLE-FOR-SALE EQUITY INVESTMENTS

Available-for-sale equity investments are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. 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, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. An impairment loss is recognized in the income statement 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 assets and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not reverse in subsequent periods.

FINANCIAL LIABILITIES AND EQUITY

Financial liabilities and equity instruments issued by the Group 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 accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

FINANCIAL LIABILITIES

Financial liabilities including accounts payables, other payables and accruals and bank borrowings are subsequently measured at amortized cost, using the effective interest method.

CONVERTIBLE NOTE

Convertible note issued by the Group that contain both financial liability and equity components are classified separately into respective liability and equity components on initial recognition. On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the proceeds of the issue of the convertible note and the fair value assigned to the liability component, representing the embedded option for the holder to convert the loan notes into equity, is included in equity (Convertible Note equity reserve).

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

FINANCIAL LIABILITIES AND EQUITY *(CONTINUED)*

CONVERTIBLE NOTE (CONTINUED)

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

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

EQUITY INSTRUMENTS

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

IMPAIRMENT LOSSES (OTHER THAN GOODWILL)

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at revalued amount, in which case the impairment loss in treated as a revaluation decrease.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

IMPAIRMENT LOSSES (OTHER THAN GOODWILL) *(CONTINUED)*

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) 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 (net of depreciation or amortization) had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that other standard.

PROVISIONS

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

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 net 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 profit and loss items that are never taxable or deductible.

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

LEASING

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

THE GROUP AS LESSOR

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

THE GROUP AS LESSEE

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

CONSTRUCTION CONTRACTS

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

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

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

FOREIGN CURRENCIES

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Hong Kong dollars, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

FOREIGN CURRENCIES *(CONTINUED)*

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

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

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

REVENUE RECOGNITION

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

Service fee income is recognized when service is rendered.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying asset is deducted from the borrowing costs eligible for capitalization.

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

RETIREMENT BENEFITS COSTS

Payments to Mandatory Provident Fund Scheme are charged as expenses as they fall due.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

ESTIMATED IMPAIRMENT OF GOODWILL

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

ESTIMATED IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

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

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

ESTIMATED USEFUL LIVES OF PROPERTY, PLANT AND EQUIPMENT

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

IMPAIRMENT LOSS OF ACCOUNTS AND OTHER RECEIVABLES

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

OUTCOME OF CONSTRUCTION CONTRACTS

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

INCOME TAXES

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

5. FINANCIAL RISK MANAGEMENT

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

5. FINANCIAL RISK MANAGEMENT

CURRENCY RISK

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

CREDIT RISK

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 March 2006 in relation to each class of recognized financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimize the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual receivable to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management considers that the Group's credit risk is significantly reduced.

CASH FLOW INTEREST RATE RISK

The Group's exposure to cash flow interest rate risk is mainly attributable to its borrowings issued at variable rates. The Group has not hedged its exposure to cash flow interest rate risk. However, the management considered the risk is insignificant to the Group.

6. SEGMENT INFORMATION

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

The Group's operating businesses are organized and managed separately, according to the nature of their operations and the products 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 the other business segments. Summary details of the business segments are as follows:

(a) Superstructure construction works segment;

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

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

(d) Interior decoration works and landscaping segment; and

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

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

6. SEGMENT INFORMATION *(CONTINUED)*

(A) BUSINESS SEGMENTS

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments.

	Superstructure construction works		Foundation piling, substructure works and slope improvement works		Special construction projects		Interior decoration and landscaping works		Corporate and others		Eliminations		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
														(As restated)
Segment revenue:														
Sales to external customers	**326,263**	284,645	**54,535**	77,680	**58,671**	37,532	**21,487**	3,938	**33,489**	31,006	**–**	–	**494,445**	434,801
Intersegment sales	**287**	1,380	**4,055**	6,830	**2,882**	17,955	**34,661**	8,044	**–**	–	**(41,885)**	(34,209)	**–**	–
Total	**326,550**	286,025	**58,590**	84,510	**61,553**	55,487	**56,148**	11,982	**33,489**	31,006	**(41,885)**	(34,209)	**494,445**	434,801
Segment results	**32,523**	9,308	**17,780**	11,946	**(40,795)**	4,781	**8,709**	(440)	**3,954**	15,154	**1,277**	3,771	**23,448**	44,520
Interest income and other unallocated revenue and gains													**1,308**	1,911
Unallocated expenses													**(44,877)**	(35,361)
(Loss)/profit from operations													**(20,121)**	11,070
Finance costs													**(890)**	(870)
Share of profits less losses of														
– Jointly-controlled entities	**919**	(1,903)	**3,355**	1,265	**1,220**	4,126	**–**	–	**(4,694)**	114	**–**	–	**800**	3,602
– Associates	**–**	–	**–**	–	**–**	–	**–**	–	**(413)**	176	**–**	–	**(413)**	176
(Loss)/profit before tax													**(20,624)**	13,978
Taxation													**(369)**	520
(Loss)/profit for the year													**(20,993)**	14,498
Attributable to:														
Equity holders of the Company													**(22,336)**	14,176
Minority interests													**1,343**	322
													(20,993)	14,498

6. SEGMENT INFORMATION *(CONTINUED)*

(A) BUSINESS SEGMENTS *(CONTINUED)*

	Superstructure construction works		Foundation piling, substructure works and slope improvement works		Special construction projects		Interior decoration and landscaping works		Corporate and others		Eliminations		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
														(As restated)
Segment assets	**87,549**	107,943	**23,325**	26,920	**8,740**	14,725	**8,776**	3,872	**45,483**	32,564	**595**	525	**174,468**	186,549
Interests in associates	**-**	–	**-**	–	**-**	–	**-**	–	**17,704**	10,770	**-**	–	**17,704**	10,770
Interests in jointly-controlled entities	**3,183**	2,265	**(274)**	1,270	**6,005**	9,170	**-**	–	**28,707**	33,402	**-**	–	**37,621**	46,107
Unallocated assets													**41,717**	50,494
Total assets													**271,510**	293,920
Segment liabilities	**74,547**	87,758	**17,876**	22,224	**12,936**	15,004	**5,867**	6,630	**3,502**	15,397	**-**	297	**114,728**	147,310
Unallocated liabilities													**20,260**	8,103
Total liabilities													**134,988**	155,413
Other segment information:														
Depreciation and amortization	**465**	346	**361**	280	**14**	14	**179**	95	**4,449**	3,360	**-**	–	**5,468**	4,095
Other non-cash income/ (expenses), net	**3,434**	2,129	**370**	34	**(16)**	(2,165)	**(9)**	(713)	**1,217**	904	**(107)**	328	**4,889**	517
Capital expenditure	**24**	102	**281**	–	**-**	–	**419**	80	**189**	6,069	**-**	–	**913**	6,251
Addition to prepaid land lease payments	**-**	–	**-**	–	**-**	–	**-**	–	**-**	500	**-**	–	**-**	500
Gain on revaluation of property, plant and equipment recognized directly in equity	**(278)**	(275)	**(275)**	(282)	**-**	–	**(24)**	(78)	**(3,501)**	(4,754)	**-**	–	**(4,078)**	(5,389)

(B) GEOGRAPHICAL SEGMENTS

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

For the year ended 31 March 2006

7. TURNOVER AND OTHER REVENUE

Turnover represents the aggregate of the gross value of work earned from superstructure construction, foundation piling, substructure works, slope improvement works, special construction projects, interior decoration and landscaping works. All significant intra-group transactions within the Group have been eliminated on consolidation.

An analysis of the Group's turnover and other revenue is as follows:

	2006	2005
	HK$'000	*HK$'000*
Turnover:		
Undertaking of construction contract works	**494,445**	434,801
Other revenue:		
Service fee income from:		
– jointly-controlled entities	**9,630**	1,716
– an associate	**125**	865
– independent third parties	**269**	1,077
	10,024	3,658
Interest income	**908**	261
Rental income from investment property	**112**	164
Rental income from machinery held for operating lease purposes	**832**	1,948
Others	**1,418**	937
	13,294	6,968

8. (LOSS)/PROFIT FROM OPERATIONS

(Loss)/Profit from operations has been arrived at after charging the following:

	2006	2005
	HK$'000	*HK$'000*
		(As restated)
Depreciation of property, plant and equipment	**5,451**	4,078
Less: Amounts capitalized in construction contracts	**(3,663)**	(2,044)
	1,788	2,034
Minimum lease payments under operating leases:		
Leasehold land and buildings	**1,526**	1,007
Less: Amounts capitalized in construction contracts	**(531)**	–
	995	1,007
Plant and machinery	**7,362**	1,568
Less: Amounts capitalized in construction contracts	**(7,362)**	(1,568)
	–	–
	995	1,007
Staff costs (excluding directors' emoluments)		
Wages and salaries	**56,651**	31,895
Retirement benefits schemes contributions	**1,758**	1,221
Less: Amounts capitalized in construction contracts	**(38,489)**	(22,200)
	19,920	10,916
Auditors' remuneration	**590**	570
Amortization of prepaid land lease payments	**17**	17
Amortization of goodwill (included in administrative expenses)	**–**	577
Cost of services provided	**490,730**	401,079

For the year ended 31 March 2006

9. OTHER OPERATING INCOME/(EXPENSES), NET

	2006 HK$'000	2005 HK$'000 (As restated)
Loss on disposal of property, plant and equipment	**(195)**	(26)
Loss on disposal of an associate	**(710)**	–
Provision for amounts due from contract customers	**(1,894)**	(2,487)
Gain on revaluation of an investment property	**400**	2,500
Gain on revaluation of leasehold buildings	**–**	438
Loss on revaluation of plant and machinery and motor vehicles	**(58)**	–
Gain on disposal of subsidiaries	**–**	92
Write back of long outstanding payables	**7,346**	–
	4,889	517

10. FINANCE COSTS

	2006 HK$'000	2005 HK$'000 (As restated)
Interest on:		
Bank loans and overdrafts		
– wholly repayable within five years	**754**	377
– not wholly repayable within five years	**68**	–
Convertible Note wholly repayable within five years	**68**	493
	890	870

No borrowing costs were capitalized during the year ended 31 March 2006 (2005: Nil).

11. (LOSS)/EARNINGS PER SHARE

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

	2006	2005
	HK$'000	*HK$'000*
		(As restated)
(Loss)/Earnings		
(Loss)/Earnings for the purposes of basic (loss)/earnings per share ((loss)/profit for the year attributable to equity holders of the Company)	**(22,336)**	14,176
Effect of dilutive potential ordinary shares:		
Interest on Convertible Note (net of tax)	**–**	407
(Loss)/Earnings for the purposes of diluted (loss)/earnings per share	**(22,336)**	14,583

	2006	2005
		(As restated)
Number of shares (in thousand)		
Weighted average number of ordinary shares in issue during the year	**348,537**	287,500
Effect of Share Consolidation (which became effective on 23 May 2006)	**(313,683)**	(258,750)
Weighted average number of ordinary shares for the purposes of basic (loss)/earnings per share	**34,854**	28,750
Effect of dilutive potential ordinary shares:		
Convertible Note	**–**	5,104
Warrants (anti-dilutive)	**–**	–
Weighted average number of ordinary shares for the purposes of diluted (loss)/earnings per share	**34,854**	33,854

12. PROFIT/(LOSS) ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of approximately HK$6,159,000 (2005 (as restated): loss of approximately HK$397,000) *(note 33)*.

13. TAXATION

	2006	2005
	HK$'000	*HK$'000*
Current tax credit	**(43)**	(1,331)
Deferred tax charge *(note 29)*	**412**	811
Tax charge/(credit) for the year	**369**	(520)

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits arising in Hong Kong during the year.

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

	2006	2005
	HK$'000	*HK$'000*
		(As restated)
(Loss)/Profit before tax	**(20,624)**	13,978
Tax at Hong Kong profits tax rate of 17.5%	**(3,610)**	2,446
Tax effect of income not subject to tax	**(1,468)**	(1,484)
Tax effect of expenses not deductible for tax	**1,804**	2,523
Tax effect of utilization of tax losses	**(4,480)**	(2,673)
Others	**8,123**	(1,332)
Tax charge/(credit) for the year	**369**	(520)

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the Company's directors are as follows:

For the year ended 31 March 2006

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

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(CONTINUED)*

DIRECTORS' EMOLUMENTS *(CONTINUED)*

For the year ended 31 March 2005

	Fees	Salaries and allowances	Retirement benefits schemes contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors				
Mr. Ng Tat Leung, George	–	1,424	12	1,436
Mr. Wong Teck Ming	–	1,113	12	1,125
Mr. Chen Jinkui	–	–	–	–
Mr. Sun Haichao	–	–	–	–
Mr. Lui Siu Yee, Samuel	–	559	12	571
Mr. Chan Wai Keung, Ivan	–	883	12	895
Mr. Lo Chung Sun, Simon	–	1,062	12	1,074
Mr. Zhang Xiaoshu (resigned on 20 September 2004)	–	–	–	
Mr. Miao Jianmin (resigned on 31 March 2005)	–	200	–	200
Mr. Zheng Changyong (resigned on 31 March 2005)	–	200	–	200
Non-executive director				
Mr. Wang Xianzhang	–	–	–	–
Independent non-executive directors				
Mr. Wong Lit Chor, Alexis	50	–	–	50
Mr. Lo Ka Wai	50	–	–	50
Dr. Leung Wai Cheung	50	–	–	50
Total	150	5,441	60	5,651

There were no arrangements under which the directors of the Company have waived or agreed to waive any remuneration.

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(CONTINUED)*

DIRECTORS' EMOLUMENTS *(CONTINUED)*

The amount of directors' emoluments which is directly attributable to construction activities and capitalized in construction contracts amounted to approximately HK$716,000 (2005: HK$716,000).

The directors' emoluments shown above do not include the estimated monetary value of the Group's owned premises provided rent-free to a director. The estimated rental value of such accommodation was approximately HK$96,000 (2005: HK$96,000) for the year ended 31 March 2006.

EMPLOYEES' EMOLUMENTS

The five highest paid individuals of the Group for the year ended 31 March 2006 included three directors (2005: four directors) whose emoluments are set out above. The aggregate emoluments of the remaining two (2005: one) highest paid, non-director individuals are as follows:

	2006	2005
	HK$'000	*HK$'000*
Salaries and allowances	**3,044**	1,308
Discretionary bonus	**–**	–
Retirement benefits schemes contributions	**24**	12
	3,068	1,320

Their emoluments fell within the following bands:

	Number of individuals	
	2006	2005
HK$1,000,001 – HK$1,500,000	**1**	1
HK$1,500,001 – HK$2,000,000	**1**	–
	2	1

During the year, no emoluments were paid by the Group to the five highest paid individuals, including directors, as an inducement to join or upon joining the Group or as compensation for loss of office.

COMPENSATION TO KEY MANAGEMENT PERSONNEL

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

15. INVESTMENT PROPERTY

	Group	
	2006	2005
	HK$'000	*HK$'000*
As at 1 April 2005/2004	**4,000**	1,500
Gain on revaluation during the year *(note 9)*	**400**	2,500
As at 31 March 2006/2005, at fair value	**4,400**	4,000

The investment property is situated in Hong Kong and is held under medium term leases.

The fair value of the Group's investment property as at 31 March 2006 was arrived at on the basis of a valuation carried out at that date by AA Property Services Limited, independent professionally qualified valuers, on an open market, existing use basis. The Group's investment property is leased to third parties under operating leases, further details of which are set out in note 35(a) to the financial statements.

16. PREPAID LAND LEASE PAYMENTS

	Group	
	2006	2005
	HK$'000	*HK$'000*
At cost:		
As at 1 April 2005/2004		
As previously reported	**–**	–
Effect of adopting HKAS 17	**800**	300
As restated	**800**	300
Addition	**–**	500
As at 31 March 2006/2005	**800**	800
Accumulated amortization:		
As at 1 April 2005/2004		
As previously reported	**–**	–
Effect of adopting HKAS 17	**91**	74
As restated	**91**	74
Amortization for the year	**17**	17
As at 31 March 2006/2005	**108**	91
Carrying amount:		
As at 31 March 2006/2005	**692**	709
Representing:		
Leasehold land in Hong Kong under medium-term lease	**692**	709

17. PROPERTY, PLANT AND EQUIPMENT

Group

	Medium term leasehold buildings *HK$'000*	Plant and machinery *HK$'000*	Furniture and equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
Cost or valuation:					
As at 1 April 2004					
– as previously reported	1,900	12,700	8,426	1,075	24,101
– effect of adopting HKAS 17	(500)	–	–	–	(500)
– as restated	1,400	12,700	8,426	1,075	23,601
Additions	5,216	45	880	110	6,251
Disposals	–	(50)	–	(270)	(320)
Acquisition of a subsidiary	–	310	92	158	560
Revaluations	1,534	763	–	129	2,426
As at 31 March 2005 (restated)	8,150	13,768	9,398	1,202	32,518
As at 1 April 2005					
– as previously reported	10,000	13,768	9,398	1,202	34,368
– effect of adopting HKAS 17	(1,850)	–	–	–	(1,850)
– as restated	8,150	13,768	9,398	1,202	32,518
Additions	–	243	203	467	913
Disposals	–	(36)	–	(225)	(261)
Revaluations	1,550	(2,047)	–	(199)	(696)
As at 31 March 2006	9,700	11,928	9,601	1,245	32,474
Accumulated depreciation:					
As at 1 April 2004	–	–	7,015	–	7,015
Provided during the year	149	2,728	722	479	4,078
Acquisition of a subsidiary	–	25	5	20	50
Revaluations	(149)	(2,753)	–	(499)	(3,401)
As at 31 March 2005	–	–	7,742	–	7,742
Provided during the year	178	3,774	735	764	5,451
Revaluations	(178)	(3,774)	–	(764)	(4,716)
As at 31 March 2006	–	–	8,477	–	8,477
Net book value:					
As at 31 March 2006	**9,700**	**11,928**	**1,124**	**1,245**	**23,997**
As at 31 March 2005 (restated)	8,150	13,768	1,656	1,202	24,776
Analysis of cost or valuation:					
At cost	–	–	9,601	–	9,601
At valuation	9,700	11,928	–	1,245	22,873
As at 31 March 2006	**9,700**	**11,928**	**9,601**	**1,245**	**32,474**
At cost	–	–	9,398	–	9,398
At valuation	8,150	13,768	–	1,202	23,120
As at 31 March 2005 (restated)	8,150	13,768	9,398	1,202	32,518

17. PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

	Company	
Furniture and equipment	**2006**	2005
	HK$'000	*HK$'000*
At cost:		
As at 1 April 2005/2004	**2,140**	2,061
Additions	**189**	79
As at 31 March 2006/2005	**2,329**	2,140
Accumulated depreciation:		
As at 1 April 2005/2004	**1,507**	1,115
Charge for the year	**428**	392
As at 31 March 2006/2005	**1,935**	1,507
Net book value:		
As at 31 March 2006/2005	**394**	633

The fair value of the Group's leasehold buildings as at 31 March 2006 of approximately HK$9,700,000 (2005 (as restated): HK$8,150,000) was arrived at on the basis of a valuation carried out at that date by AA Property Services Limited, on an open market, vacant possession basis. The gain on revaluation of approximately HK$1,728,000 (2005 (as restated): HK$1,683,000) was credited to the asset revaluation reserve.

The fair value of the Group's plant and machinery as at 31 March 2006 of approximately HK$11,928,000 (2005: HK$13,768,000) was arrived at on the basis of a valuation carried out at that date by AA Property Services Limited, on a fair market value, continued use basis. The gain on revaluation of approximately HK$1,785,000 (2005: HK$3,516,000) was credited to the asset revaluation reserve and a loss on revaluation of approximately HK$58,000 was charged to the income statement.

The fair value of the Group's motor vehicles as at 31 March 2006 of approximately HK$1,245,000 (2005: HK$1,202,000) was arrived at on the basis of a valuation carried out at that date by AA Property Services Limited, on a fair market value, continued use basis. The gain on revaluation of approximately HK$565,000 (2005: HK$628,000) was credited to the asset revaluation reserve.

The directors believe that the carrying value of furniture and equipment as at 31 March 2006 of approximately HK$1,124,000 (2005: HK$1,656,000) approximates their fair values and, in view of the immateriality of the individual amount involved, a professional valuation has not been carried out on these assets.

Had the Group's property, plant and equipment been stated at cost less accumulated depreciation, the carrying amounts of leasehold buildings, plant and machinery, and motor vehicles as at 31 March 2006 would have been restated at HK$5,453,000, HK$9,208,000 and HK$532,000, respectively.

18. GOODWILL

	HK$'000
At cost:	
As at 1 April 2004	2,429
Acquisition of a subsidiary *(note 34(ii))*	456
As at 31 March 2005 and 1 April 2005	2,885
Elimination of amortization accumulated prior to adoption of HKFRS 3 *(note 2)*	(577)
As at 31 March 2006	2,308
Accumulated amortization:	
Provided for the year ended 31 March 2005 and balance as at 1 April 2005	577
Elimination of amortization accumulated prior to adoption of HKFRS 3 *(note 2)*	(577)
As at 31 March 2006	–
Carrying value:	
As at 31 March 2005 and 31 March 2006	**2,308**

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

	2006	2005
	HK$'000	*HK$'000*
Landscaping		
– Design Landscapes International (HK) Company Limited (single CGU)	**365**	365
Trading of plastic products		
– Supertact Plastics Company Limited (single CGU)	**1,943**	1,943
	2,308	2,308

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. The recoverable amounts of the above CGUs have been determined based on a value-in-use calculation which in turn is based on financial projections of the Group. The discounted rate applied to the cash flow projections is 13%.

18. GOODWILL *(CONTINUED)*

The key assumptions on which management has based its cash flow projections of 15 years to undertake impairment testing of goodwill are set out below:

(a) Budgeted turnover was projected with reference to the expected earnings from each CGU;

(b) Budgeted operating expenses with reference to the latest management accounts;

(c) For the business environment, there will be no material change in the existing political, legal, regulatory, fiscal or economic conditions, bases or rates of taxation or duties in Hong Kong, or any of the countries in which the Group operates or in which the Group companies are incorporated or registered.

19. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	Group	
	2006	2005
	HK$'000	*HK$'000*
Share of net assets	**38,211**	46,425
Share of net deficiency in assets *(note 36 (ii))*	**(590)**	(318)
	37,621	46,107

The Group's share of profits of jointly-controlled entities for the year amounted to approximately HK$800,000 (2005: HK$3,602,000). The Group's share of retained profits of jointly-controlled entities as at 31 March 2006 amounted to approximately HK$435,000 (2005: HK$8,921,000).

19. INTERESTS IN JOINTLY-CONTROLLED ENTITIES *(CONTINUED)*

Particulars of the principal jointly-controlled entities of the Group as at 31 March 2006 are as follows:

Name	Legal form	Place of incorporation/ registration and operations	Voting power controlled by the Group	Percentage of equity interest and profit sharing attributable to the Group	Principal activities
AWG-JV Limited (i)	Limited liability company	Hong Kong	50.0	50.0	Foundation piling works
Costain-China Harbour Joint Venture (i)	Unincorporated	Hong Kong	33-1/3	40.0	Foundation piling works
CCL Joint Venture (i)	Unincorporated	Hong Kong	33-1/3	33.0	Superstructure construction
CHEC-CWF Limited (i)	Limited liability company	Hong Kong	30.0	30.0	Highway maintenance
China Harbour–Transfield Joint Venture (i)	Unincorporated	Hong Kong	25.0	15.3	Drainage improvement
W.Hing-Kentech Joint Venture (i)	Unincorporated	Hong Kong	60.0	70.0	Superstructure construction
MLL-CWF Joint Venture (i)	Unincorporated	Hong Kong	50.0	40.0	Foundation piling works
China Harbour-CWF Joint Venture (i)	Unincorporated	Hong Kong	50.0	49.0	Foundation piling works
Veolia Water (Zhuhai) Wastewater Treatment Company Limited (i)	Limited liability company	People's Republic of China (the "PRC")	50.0	40.0	Provision of wastewater treatment service
Veolia Water (Zhuhai) Wastewater Treatment Operations Company Limited (i)	Limited liability company	PRC	20.0	39.0	Provision of wastewater treatment management service

Note:

(i) Not audited by HLB Hodgson Impey Cheng or other HLB International member firms.

The above table lists the jointly-controlled entities of the Group 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 jointly-controlled entities would, in the opinion of the directors, result in particulars of excessive length.

19. INTERESTS IN JOINTLY-CONTROLLED ENTITIES *(CONTINUED)*

Summarized financial information in respect of the Group's jointly-controlled entities is as follows:

	2006	2005
	HK$'000	*HK$'000*
Total assets	**365,215**	285,772
Total liabilities	**261,489**	174,155
Revenue	**248,398**	144,088
Profit for the year	**13,694**	13,320

20. INTERESTS IN ASSOCIATES

	Group	
	2006	2005
	HK$'000	*HK$'000*
Share of net assets	**442**	2,454
Amounts due from associates	**18,862**	9,870
	19,304	12,324
Amounts due from associates classified as current *(note 24)*	**(1,600)**	(1,554)
	17,704	10,770

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

The Group's share of losses of associates for the year amounted to approximately HK$413,000 (2005: share of profits of HK$176,000). The Group's share of accumulated losses of associates as at 31 March 2006 amounted to approximately HK$421,000 (2005: retained profits of HK$2,446,000).

20. INTERESTS IN ASSOCIATES *(CONTINUED)*

Particulars of the Group's associates as at 31 March 2006 are as follows:

Name	**Legal form**	**Place of incorporation and operations**	**Percentage of equity interest attributable to the Group**	**Principal activities**
Design Landscapes International (Group) Company Limited (i)	Limited liability company	Hong Kong	50.0	Provision of landscaping services
King Fine Development Limited (i)	Limited liability company	Hong Kong	35.0	Property development
Powerluck Properties Limited	Limited liability company	British Virgin Islands	35.0	Property development
Hypsos Leisure Asia Limited	Limited liability company	Hong Kong	42.5	Exhibition project management

Note:

(i) Not audited by HLB Hodgson Impey Cheng or other HLB International member firms.

Summarized financial information in respect of the Group's associates is as follows:

	2006	2005
	HK$'000	*HK$'000*
Total assets	**79,714**	26,886
Total liabilities	**78,760**	27,405
Revenue	**721**	22,047
(Loss)/profit for the year	**(980)**	1,578

21. INTERESTS IN SUBSIDIARIES

	Company	
	2006	2005
	HK$'000	*HK$'000*
Unlisted shares, at cost	**53,662**	53,662
Amounts due from subsidiaries	**203,855**	191,968
	257,517	245,630
Less: Provision for impairment	**(124,855)**	(124,855)
	132,662	120,775
Amounts due from subsidiaries classified as current	**(25,650)**	(13,763)
	107,012	107,012

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

Particulars of the Company's subsidiaries as at 31 March 2006 are as follows:

Name	**Place of incorporation and operations**	**Legal form**	**Nominal value of issued share capital**	**Percentage of equity attributable to the Company**	**Principal activities**
Directly held					
Wing Hing Group (BVI) Limited	British Virgin Islands	Limited liability company	Ordinary HK$320,000	100	Investment holding
CWS International Trading Limited	British Virgin Islands	Limited liability company	Ordinary US$10	100	Investment holding
Indirectly held					
W.Hing Construction Company Limited	Hong Kong	Limited liability company	Ordinary HK$102,300,100 Deferred HK$2,380,000 *(Note (i))*	100	Superstructure construction

21. INTERESTS IN SUBSIDIARIES *(CONTINUED)*

Name	Place of incorporation and operations	Legal form	Nominal value of issued share capital	Percentage of equity attributable to the Company	Principal activities
CWF Piling & Civil Engineering Company Limited	Hong Kong	Limited liability company	Ordinary HK$48,500,000 Deferred HK$1,500,000 *(Note (i))*	100	Foundation piling works
Anpoint Engineering Limited	Hong Kong	Limited liability company	Ordinary HK$14,000,000	100	Electrical and mechanical construction
Asian Creator Engineering Limited	Hong Kong	Limited liability company	Ordinary HK$10	100	Specialized building works
Sunny Engineering Limited	Hong Kong	Limited liability company	Ordinary HK$1,000	100	Machine leasing and investment holding
W H China (Holdings) Limited	Hong Kong	Limited liability company	Ordinary HK$2	100	Investment holding
W H Interior Design and Contracting Company Limited	Hong Kong	Limited liability company	Ordinary HK$2	100	Interior decoration
JCL Engineering Limited	Hong Kong	Limited liability company	Ordinary HK$10,000	91	Environmental engineering
SprayTec Engineering Limited	Hong Kong	Limited liability company	Ordinary HK$2	100	Trading of construction machines
CSP (HK) Limited *(Note (ii))*	Hong Kong	Limited liability company	Ordinary HK$10	100	Investment holding

For the year ended 31 March 2006

21. INTERESTS IN SUBSIDIARIES *(CONTINUED)*

Name	Place of incorporation and operations	Legal form	Nominal value of issued share capital	Percentage of equity attributable to the Company	Principal activities
TCL Piling Specialist Limited	Hong Kong	Limited liability company	Ordinary HK$1,920,002	100	Foundation piling works
CHEC-CWF Joint Venture	Hong Kong	Unincorporated	–	51	Foundation piling works
Supertact Plastics Company Limited	Hong Kong	Limited liability company	Ordinary HK$4,000,000	100	Trading of plastic products
Design Landscapes International (HK) Company Limited	Hong Kong	Limited liability company	Ordinary HK$1,240,000	51	Provision of landscaping services

Notes:

(i) The deferred shares carry no rights to dividends and no rights to receive notice of or to attend or vote at any general meeting of the company. In the winding-up of a company, holders of the deferred shares are entitled to receive amounts paid-up or credited as paid-up on shares after the holders of the ordinary shares of the company have received a total return of HK$1,000,000,000 per share. As at 31 March 2006, all these deferred shares were owned by Wing Hing Group (BVI) Limited.

(ii) During the year ended 31 March 2006, the Group increased its equity interest in CSP (HK) Limited from 60% to 100% by acquiring an additional 40% equity interest from Complete Success Limited. Further details are set out in note 34(i) to the financial statements.

22. AVAILABLE-FOR-SALE EQUITY INVESTMENT

	Group	
	2006	2005
	HK$'000	*HK$'000*
Unlisted equity securities, at cost	**1**	–

On 19 October 2005, Sunny Engineering Limited, a wholly-owned subsidiary of the Company, entered into an acquisition agreement with an independent third party, pursuant to which Sunny Engineering Limited agreed to purchase 800 shares of HK$1 each, representing 8% of the entire issued share capital of Wealthy Star Development Limited, a company incorporated in Hong Kong with limited liability, at a consideration of HK$800. Details of the acquisition were set out in the Company's circular dated 11 November 2005.

The amount due from an investee entity, Wealthy Star Development Limited, as at 31 March 2006 of approximately HK$13,164,000 is unsecured, interest-free and has no fixed terms of repayment. In the opinion of the directors, the amount due is unlikely to be repaid within one year and is therefore classified as non-current. The directors consider that the carrying amount approximates its fair value.

23. ACCOUNTS RECEIVABLE

	Group	
	2006	2005
	HK$'000	*HK$'000*
Accounts receivable		
Aged analysis by invoice date		
Current to 90 days	**55,673**	75,188
91 days to 180 days	**743**	903
181 days to 365 days	**651**	1,366
Over 365 days	**6,071**	10,936
	63,138	88,393
Contract retention receivables		
Retentions held by contract customers	**32,770**	27,139
Less: contract retention receivables classified as non-current assets	**(3,963)**	(6,762)
Retentions held by contract customers included in accounts receivable under current assets	**28,807**	20,377
Amounts due from contract customers	**22,608**	22,384
Total accounts receivable as shown under current assets	**114,553**	131,154

23. ACCOUNTS RECEIVABLE *(CONTINUED)*

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

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

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

	Group	
	2006	2005
	HK$'000	*HK$'000*
Contract costs incurred plus recognized profits less recognized losses to date	**416,749**	406,766
Less: Progress billings	**(394,141)**	(384,382)
Amounts due from contract customers	**22,608**	22,384

Included in the Group's accounts receivable as at 31 March 2006 is an amount due from a jointly-controlled entity of the Group of approximately HK$5,363,000 (2005: HK$10,754,000), which is unsecured, interest-free and payable on similar credit terms to those offered to other major customers of the Group. The receivable arose from the undertaking of construction contract works during the year.

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

24. OTHER RECEIVABLES

	Group	
	2006	2005
	HK$'000	*HK$'000*
Prepayments, deposits and other receivables	**2,320**	4,854
Amounts due from jointly-controlled entities	**5,171**	8,417
Amounts due from associates	**1,600**	1,554
Amounts due from minority shareholders	**4,607**	2,428
Amount due from a related company	**–**	1,895
	13,698	19,148

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

Particulars of the amount due from a related company, disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance, are as follows:

	31 March 2006	**Maximum amount outstanding during the year**	**1 April 2005**
	HK$'000	*HK$'000*	*HK$'000*
Total Success Worldwide Limited	–	1,895	1,895

The balance represents claim liabilities recoverable from a related company which is beneficially and wholly-owned by certain directors of the Company. The amount due was unsecured, interest-free and fully settled during the year.

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

25. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Bank balances and cash	**18,117**	13,025	**68**	333
Time deposits	**21,292**	35,025	**–**	–
	39,409	48,050	**68**	333
Less: Pledged time deposits:				
Pledged for short term bank loans, trust receipt loans and other banking guarantee facilities	**(20,944)**	(35,025)	**–**	–
Cash and cash equivalents	**18,465**	13,025	**68**	333

As at the balance sheet date, the cash and cash equivalents and pledged deposits of the Group are mainly denominated in Hong Kong dollars and US dollars.

Bank balances are interest bearing at prevailing market rate and have original maturity of three months or less. Time deposits are made for varying periods of between one month and thirty-nine months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposits rates.

The directors consider that the carrying amounts of cash and cash equivalents and pledged deposits approximate their fair values.

26. ACCOUNTS PAYABLE

	Group	
	2006	2005
	HK$'000	*HK$'000*
Accounts payables		
Aged analysis by invoice date		
Current to 90 days	**36,806**	56,483
91 days to 180 days	**5,596**	2,043
181 days to 365 days	**8,050**	2,860
Over 365 days	**24,450**	21,522
	74,902	82,908
Amounts due to contract customers	**26,019**	24,268
Total accounts payable as shown under current liabilities	**100,921**	107,176

26. ACCOUNTS PAYABLE *(CONTINUED)*

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

	Group	
	2006	2005
	HK$'000	*HK$'000*
Contract costs incurred plus recognized profits		
less recognized losses to date	**430,520**	802,652
Less: Progress billings	**456,539**	826,920
Amounts due to contract customers	**26,019**	24,268

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

27. OTHER PAYABLES AND ACCRUALS

	Group	
	2006	2005
	HK$'000	*HK$'000*
Other payables and accruals	**4,957**	5,011
Amounts due to jointly-controlled entities	**7,808**	6,342
Amounts due to associates	**–**	2,457
Amounts due to minority shareholders	**1,043**	15,106
	13,808	28,916

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

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

For the year ended 31 March 2006

28. BANK LOANS AND OVERDRAFTS, SECURED

	Average interest rate per annum	Maturity	Group 2006 HK$'000	Group 2005 HK$'000
Mortgage loan	6.25%	2010	**4,305**	–
Term loan	8.07%	2006	**1,620**	–
Trust receipt loans	*	On demand	**13,116**	3,680
Bank overdrafts	*	On demand	**64**	3,707
			19,105	7,387

* *The trust receipt loans and bank overdrafts carry interest at the prevailing market rates.*

The Group's bank loans and overdrafts are repayable as follows:

	2006 HK$'000	2005 HK$'000
Within one year or on demand	**15,602**	7,387
One to two years	**801**	–
Two to five years	**2,405**	–
Over five years	**297**	–
	19,105	7,387
Less: Amount due for settlement within one year shown under current liabilities	**(15,602)**	(7,387)
Amount due for settlement after one year	**3,503**	–

The carrying amounts of the Group's bank loans and overdrafts are denominated in Hong Kong dollars. The directors consider that the carrying amounts of the Group's bank loans and overdrafts approximate their fair values.

As at 31 March 2006, the Group's banking facilities were supported by the following:

(i) legal charges over the Group's leasehold land and buildings situated in Hong Kong, with carrying value of approximately HK$10,392,000 (2005 (restated): HK$6,788,000);

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

(iii) pledged deposits of approximately HK$20,944,000 (2005: HK$35,025,000) of the Group (note 25);

(iv) corporate guarantees to the extent of approximately HK$52.1 million (2005: HK$46.5 million) in aggregate executed by the Company in respect of banking facilities granted to certain subsidiaries of the Company; and

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

29. DEFERRED TAX

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

Deferred tax liabilities

Group	**Accelerated tax depreciation** *HK$'000*	**Revaluation of assets** *HK$'000*	**Total** *HK$'000*
As at 1 April 2004	312	1,788	2,100
Deferred tax credited to the income statement *(note 13)*	(60)	–	(60)
Deferred tax credited to equity	–	(237)	(237)
As at 31 March 2005 and as at 1 April 2005	252	1,551	1,803
Deferred tax credited to the income statement *(note 13)*	(392)	–	(392)
Deferred tax charged to equity	–	221	221
As at 31 March 2006	(140)	1,772	1,632

Deferred tax assets

Group	**Loss available for offset against future taxable profit** *HK$'000*	**Decelerated tax depreciation** *HK$'000*	**Revaluation of assets** *HK$'000*	**Total** *HK$'000*
As at 1 April 2004	2,672	14	124	2,810
Deferred tax charged to the income statement during the year *(note 13)*	(857)	(14)	–	(871)
As at 31 March 2005 and as at 1 April 2005	1,815	–	124	1,939
Deferred tax charged to the income statement during the year *(note 13)*	(804)	–	–	(804)
As at 31 March 2006	1,011	–	124	1,135
Net deferred tax liabilities as at 31 March 2006				**(497)**
Net deferred tax assets as at 31 March 2005				136

As at 31 March 2006, there were no significant unrecognized deferred tax liabilities (2005: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries as the Group has no liability to additional tax should such amounts be remitted. There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

30. CONVERTIBLE NOTE

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

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

Upon the application of HKAS 32 "Financial Instruments: Disclosure and Presentation", the proceeds received from the issue of the Convertible Note have been split between the liability component and an equity component. The equity component, representing the fair value of the embedded option to convert the liability into equity of the Company, is presented under "Convertible Note equity reserve" in equity. An effective interest rate of 5.13% per annum has been used to determine the fair value of the liability component at initial recognition.

	Group and Company	
	2006	2005
	HK$'000	*HK$'000*
Liability component at date of issue/beginning of the year	**11,218**	10,828
Interest charged *(note 10)*	**68**	493
Interest paid	**(14)**	(103)
Conversion of Convertible Note	**(11,272)**	–
Liability component at end of the year	**–**	11,218

The interest charged is calculated by applying an effective interest rate of 5.13% to the liability component of the Convertible Note from its date of issue through the date of conversion.

31. SHARE CAPITAL OF THE COMPANY

	Number of shares	Amount
Ordinary shares of HK$0.10 each:		*HK$'000*
Authorized:		
As at 31 March 2005 and 2006	**1,000,000,000**	**100,000**
Issued and fully paid:		
As at 1 April 2004, 31 March 2005 and 1 April 2005	287,500,000	28,750
Issue of shares upon conversion of Convertible Note *(Note 30)*	57,500,000	5,750
Issue of shares for acquisition of additional interest in a subsidiary *(Note 34(i))*	17,000,000	1,700
As at 31 March 2006	**362,000,000**	**36,200**

On 30 August 2005, the Company issued 50,000,000 unlisted warrants to Complete Success Limited at a warrant issue price of HK$0.02 per warrant as part of the purchase consideration for acquisition of additional interest in a subsidiary (Note 34(i)). The warrants were issued to Complete Success Limited in registered form and constituted by a warrant instrument, and rank pari passu in all respects among themselves. Each warrant carries the right to subscribe for one share of HK$0.10 each in the capital of the Company at a price of HK$0.30 per share (subject to adjustments). The exercise in full of the outstanding warrants would, with the capital structure of the Company as at 31 March 2006, result in the issue of additional 50,000,000 shares of HK$0.10 each in the capital of the Company.

32. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives or rewards to eligible participants for their contribution to the Group and/or to enable the Group to recruit and retain high-caliber employees and attract human resources that are valuable to the Group and any entity in which the Group holds an equity interest (the "Invested Entity"). Eligible participants of the Scheme include the directors and employees of the Company, its subsidiaries or any Invested Entity, suppliers and customers of the Group or any Invested Entity, any technical, financial and legal professional advisers engaged by the Group or any Invested Entity, and any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity. The Scheme became effective on 29 August 2002 and unless otherwise terminated or amended, will remain in force for 10 years from that date.

32. SHARE OPTION SCHEME *(CONTINUED)*

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

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

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

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

32. SHARE OPTION SCHEME *(CONTINUED)*

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

The Company had no outstanding share options granted under the Scheme as at 31 March 2006 and for each of the two years ended 31 March 2006.

33. RESERVES

Company

	Share premium	Contributed surplus	Warrant reserve	Convertible Note equity reserve	Retained profits/ (Accumulated losses)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 April 2004	166,405	51,562	–	–	(138,808)	79,159
Loss for the year	–	–	–	–	(397)	(397)
Recognition of equity component of Convertible Note	–	–	–	672	–	672
As at 31 March 2005 and 1 April 2005 (as restated)	166,405	51,562	–	672	(139,205)	79,434
Profit for the year	–	–	–	–	6,159	6,159
Issue of shares upon conversion of Convertible Note	6,194	–	–	(672)	–	5,522
Acquisition of additional interest in a subsidiary						
– Issue of Consideration Shares	1,700	–	–	–	–	1,700
– Issue of warrants	–	–	1,000	–	–	1,000
Capital Reduction	(138,808)	–	–	–	138,808	–
As at 31 March 2006	35,491	51,562	1,000	–	5,762	93,815

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

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

34. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(I) ACQUISITION OF ADDITIONAL INTEREST IN A SUBSIDIARY FOR THE YEAR ENDED 31 MARCH 2006

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

Prior to the entering into of the Acquisition Agreement, CSP was owned as to 60% and 40% by Wing Hing BVI and Complete Success Limited, respectively. Complete Success Limited, being a substantial shareholder of CSP, was a connected person of the Company and the transaction constituted a discloseable and connected transaction on the part of the Company under the Listing Rules, further details of which were set out in the Company's circular dated 29 July 2005. The resolutions in respect of the transaction were duly passed by the Company's shareholders at the special general meeting of the Company held on 25 August 2005.

The aggregate consideration has been satisfied as to:

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

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

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

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

34. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(CONTINUED)*

(I) ACQUISITION OF ADDITIONAL INTEREST IN A SUBSIDIARY FOR THE YEAR ENDED 31 MARCH 2006 *(CONTINUED)*

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

	2006	2005
	HK$'000	*HK$'000*
Total consideration satisfied by:		
Issue of Consideration Shares (a)	**3,400**	–
Issue of warrants (b)	**1,000**	–
Total non-cash consideration	**4,400**	–
Cash consideration (c)	**4,946**	–
Cash consideration (d)	**4,717**	–
Net outflow of cash and cash equivalents in respect of the acquisition of additional interest in CSP	**9,663**	–
Total consideration	**14,063**	–

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

34. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(CONTINUED)*

(II) ACQUISITION OF SUBSIDIARIES

	Group	
	2006	2005
	HK$'000	*HK$'000*
Net assets acquired:		
Property, plant and equipment	–	510
Accounts receivable	–	5,578
Prepayments, deposits and other receivables	–	126
Bank balances and cash	–	825
Amounts due to related companies	–	(2,717)
Accounts payable	–	(3,813)
Minority interests	–	(250)
	–	259
Goodwill on acquisition	–	456
	–	715
Satisfied by:		
Cash	–	532
Reclassification to interests in subsidiaries from interests in associates	–	183
	–	715

An analysis of the net inflow of cash and cash equivalents in respect of the acquisition of subsidiaries is as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Cash consideration	–	(532)
Bank balances and cash acquired	–	825
Net inflow of cash and cash equivalents in respect of the acquisition of subsidiaries	–	293

34. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(CONTINUED)*

(III) DISPOSAL OF SUBSIDIARIES

	Group	
	2006	2005
	HK$'000	*HK$'000*
Net assets/(liabilities) disposed of:		
Bank balances and cash	–	9
Amount due to a related company	–	(101)
	–	(92)
Gain on disposal of subsidiaries	–	92
	–	–
Satisfied by:		
Cash	–	–

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Cash consideration	–	–
Bank balances and cash disposed	–	(9)
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	–	(9)

The results of the subsidiaries disposed of during the year ended 31 March 2005 had no significant impact on the Group's consolidated turnover or profit after tax for that year.

35. OPERATING LEASE COMMITMENTS

(A) AS LESSOR

The Group leases its investment property (note 15) under operating lease arrangements, with leases negotiated for terms of one to two years. The terms of the leases also require the tenants to pay security deposits.

As at 31 March 2006, the Group had total future minimum lease receivables under non-cancelable operating leases with its tenant falling due as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Within one year	**9**	56

(B) AS LESSEE

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to three years.

As at 31 March 2006, the Company and the Group had total future minimum lease payments under non-cancelable operating leases falling due as follows:

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**391**	112	**28**	–

36. CONTINGENT LIABILITIES

(i) As at 31 March 2006, the Group had executed guarantees in respect of performance bonds in favor of contract customers of approximately HK$22,125,000 (2005: HK$48,908,000). In addition, as at 31 March 2006, the Company had executed guarantees in favor of contract customers in respect of the performance of obligation under contracts by a jointly-controlled entity, China Harbour-CWF Joint Venture, with contract sum of approximately HK$85,392,000 (2005: HK$84,938,000). China Harbour-CWF Joint Venture is jointly controlled by China Harbour Engineering Company Limited, an independent third party, and CWF Piling & Civil Engineering Co., Ltd., a wholly-owned subsidiary of the Company.

As at 31 March 2006, the Company had executed guarantees for approximately HK$36,000,000, HK$44,100,000 and HK$8,750,000 in respect of the general banking facilities granted to CHEC-CWF Limited (a jointly-controlled entity in which the Group has 30% equity interests), King Fine Development Limited (an associate in which the Group has 35% equity interests), Powerluck Properties Limited (an associate in which the Group has 35% equity interest), respectively.

As at 31 March 2006, the Company had executed guarantees for approximately HK$45,040,000 in respect of the general banking facilities granted to Wealthy Star Development Limited (an investee entity in which the Group has 8% equity interest).

(ii) As at 31 March 2006, certain subsidiaries of the Company had provided undertakings of financial support to certain of the Group's jointly-controlled entities in proportion to their equity interests in these entities, in order that these entities could meet their obligations and liabilities as and when they fall due. The Group's share of the net deficiency in assets of these jointly-controlled entities as at 31 March 2006 in the amount of approximately HK$590,000 (2005: HK$318,000) has already been accounted for (note 19) in presenting these financial statements.

(iii) The Group was previously engaged in early 2000 in the undertaking of a piling work contract, which was terminated by the contract customer during 2001 prior to the completion of contract works as a result of the allegation of non-conforming piles. In the previous year, the contract customer demanded from the Group the retrenchment of HK$5 million of the contract fees received by the Group, as compensation for early termination of the contract works. In prior years, the contract customer was in the process of undergoing a court compulsory winding-up and the provisional liquidator of the contract customer requested payment of HK$8 million from the Group. Having considered legal counsel's advice, the directors are of the opinion that the claim is unlikely to succeed. Accordingly, no provision has been made in these financial statements.

36. CONTINGENT LIABILITIES *(CONTINUED)*

(iv) The Group was involved during the three years ended 31 March 2003 in the undertaking of two construction contracts for the Hong Kong Housing Authority (the "HA"). In attending to these contract works, the Group received requests for clarifications from the HA regarding the technical compliance of the piling work sections of these contract works. Additional piling specification review, testing and other compliance procedures were carried out to substantiate the satisfactory adherence to the technical specifications required for these contract works and for any extension works required for the purpose of providing assurance to the HA. Provisions have been made in the financial statements for the four years ended 31 March 2004 for all additional costs incurred, as well as those necessarily required to be incurred, in attending to these and other additional works reasonably anticipated by the directors to be necessary for the satisfaction of the HA.

As a result of the execution of these additional contract works, which were not anticipated at the stage of contract inception, the contract period was prolonged with a corresponding overrun of the contract costs incurred. In accordance with the contractual agreement, the HA is entitled to claim against the Group for liquidated damages for the delay in completion of contract works. The maximum potential amount of liquidated damages involved was assessed by the directors based on the contractual provisions of approximately HK$7.9 million, in aggregate, as at 31 March 2006. Having regard to the circumstances surrounding the prolonged contract works as described above, the directors are however of the opinion that the Group has meritorious defenses against claims for the liquidated damages. In a letter dated 12 December 2000 issued by the HA, the HA confirmed that its building committee had considered the situation and approved the waiver of liquidated damages on an ex-gratia basis if the delay was due to unanticipated complex ground conditions and/or initiatives on supervision enhancement and design approval of piling works implemented after contract formation. Accordingly, although the Group's grounds of claiming waiver of these possible liquidated damages has yet to be approved by the HA, the directors are of the opinion that the likelihood of such damages falling to the Group is not probable and a provision therefor has not been made in presenting the financial statements for the six years ended 31 March 2006.

In July 2001, the piling sections involved in these HA contract works were completed and, to date, the Group has not received any complaint or indications from the HA regarding sub-standard piling works. The Group is presently in the process of filing formal claims to the HA requesting compensation of the extra contract costs incurred, which have already been fully charged to the income statement during each of the two years ended 31 March 2002, as a result of the contract prolongation. However, as the negotiations with the HA have not yet reached an advanced stage, in view of the uncertainties involved, no accrual for the potential compensation revenue has been made in these financial statements.

(v) The Group has a contingent liability in respect of possible future long service payments to employees under the Hong Kong Employment Ordinance, with a maximum possible amount of HK$3.3 million as at 31 March 2006. The contingent liability has arisen because, at the balance sheet date, a number of current employees have achieved the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance if their employment is terminated under certain circumstances. A provision has not been recognized in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Group.

36. CONTINGENT LIABILITIES *(CONTINUED)*

(vi) The Group was previously engaged in early 2000 in the undertaking of a piling work contract. In 2001, the Group made a claim against the main contractor of HK$7 million for variation orders in addition to the original contract sum. In prior years, the main contractor submitted a counterclaim of HK$44 million for additional costs incurred due to wrongful repudiation of the subcontract. Having considered the legal counsel's advice, the directors are of the opinion that the Group has a good chance of defending the counterclaim. Accordingly, the directors consider that a provision for the counterclaim is not necessary.

(vii) The Group was engaged in the undertaking of a HVAC installation works contract in 2004. The Group made a claim against the sub-contractor for loss and damage caused by the sub-contractor's wrongful repudiation of contract and other loss and damage due to completion of outstanding works and remedial works and payment of Labor Tribunal claims to unpaid workers on the sub-contractor's behalf, in the sum of approximately HK$30.8 million up to 10 April 2006. The sub-contractor submitted a counterclaim for unpaid workdone and loss of profit in the sum of approximately HK$1.8 million. Having considered the legal counsel's advice, the directors are of the opinion that the Group has a good chance of defending the counterclaim. Accordingly, the directors consider that a provision for the counterclaim is not necessary.

(viii) A number of claims have been brought against the Group in respect of compensation for alleged personal injuries sustained by construction workers during the execution of contract works. The directors believe that any liabilities of the Group in respect of such claims will be covered either by the Group's insurance policies, or that the Group has a meritorious defense against such claims. Accordingly, the directors do not believe that these claims will have any material adverse impact on the Group and, therefore no provisions have been made in respect thereof.

37. SIGNIFICANT RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group had the following significant related party transactions during the year.

		Group	
		2006	2005
	Note	***HK$'000***	*HK$'000*
Service fee income from jointly-controlled entities	*(i)*	**(9,630)**	(1,716)
Service fee income from an associate	*(i)*	**(125)**	(865)
Sale of materials to a jointly-controlled entity	*(ii)*	**(12,406)**	(11,544)
Purchases of finished goods from a jointly-controlled entity	*(ii)*	**18,505**	16,780
Subcontracting fee paid to a jointly-controlled entity	*(iii)*	**6,849**	23,278
Contract sum received and receivable from jointly-controlled entities	*(iv)*	**(3,473)**	(93,804)

Notes:

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

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

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

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

38. SUBSEQUENT EVENTS

(i) On 29 March 2006, the Company announced, among other matters, that it proposed to (i) implement a share consolidation ("Share Consolidation") pursuant to which every ten existing ordinary shares of HK$0.10 each in the issued and unissued share capital of the Company be consolidated into one consolidated share of HK$1.00 ("Consolidated Share"); (ii) subject to the Share Consolidation, proposed a rights issue ("Rights Issue") to raise not less than approximately HK$18.1 million before expenses by issuing not less than 18,100,000 rights shares ("Rights Shares") and not more than 20,600,000 Rights Shares at the subscription price of HK$1.00 per Rights Share on the basis of one Rights Share for every two Consolidated Shares held on the record date. Further details of the Share Consolidation and the Rights issue are set out in the Company's circular dated 3 May 2006.

The resolutions in respect of the Share Consolidation were duly passed by the Company's shareholders at the special general meeting of the Company held on 22 May 2006, and the Share Consolidation became effective on 23 May 2006.

The Rights Issue, which was fully underwritten, became unconditional on 22 June 2006. Upon completion, the Company issued 18,100,000 Rights Shares of HK$1.00 each at the subscription price of HK$1.00 per Rights Share.

(ii) On 13 July 2006, the Company announced that W. Hing Construction Company Limited, a wholly owned subsidiary of the Company, entered into a conditional subscription agreement dated 13 July 2006 with Design Landscapes International (HK) Company Limited, pursuant to which W. Hing Construction Company Limited agreed to subscribe 42,711 new shares of Design Landscapes International (HK) Company Limited for an aggregate cash consideration of HK$93,110. On the same day, Mr Keith Jeferey Dodd, an independent third party, entered into a conditional subscription agreement dated 13 July 2006, pursuant to which Mr Keith Jeferey Dodd agreed to subscribe 67,511 new shares of Design Landscapes International (HK) Company Limited for an aggregated cash consideration of HK$147,174. Prior to the entering into of the aforesaid subscription agreements, the entire issued share capital of Design Landscapes International (HK) Company Limited was beneficially owned as to 51% by W. Hing Construction Company Limited and 49% by Design Landscapes Investments Pty Limited, a company incorporated in Australia with limited liability.

Upon completion of the aforesaid subscription agreements, the enlarged issued share capital of Design Landscapes International (HK) Company Limited shall be beneficially owned as to approximately 50% by W. Hing Construction Company Limited, approximately 45% by Design Landscapes Investments Pty Limited and approximately 5% by Mr Keith Jeferey Dodd. Accordingly, Design Landscapes International (HK) Company Limited will cease to be a subsidiary of the Company but will continue to be an associate of the Company upon completion. Further details relating to the aforesaid transactions are set out in the Company's announcement dated 13 July 2006.

Particulars of Investment Property

31 March 2006

INVESTMENT PROPERTY

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

WING HING INTERNATIONAL (HOLDINGS) LIMITED
永興國際（控股）有限公司

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

香港九龍官塘開源道45號
有利中心14樓