
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Wing Hing International (Holdings) Limited (the “Company”), you should at once hand this circular together with the enclosed form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

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WING HING INTERNATIONAL (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 621)

**VERY SUBSTANTIAL DISPOSAL
AND
CONNECTED TRANSACTION**

**Independent financial adviser to the Independent Board Committee
and Independent Shareholders of Wing Hing International (Holdings) Limited**



VC CAPITAL LIMITED
滙盈融資有限公司

A letter from the independent board committee is set out on page 17 of this circular. A letter from VC Capital Limited, the independent financial adviser, containing its advice to the independent board committee and the independent shareholders of the Company is set out on pages 18 to 24 of this circular.

A notice convening a special general meeting of the Company to be held at 14th Floor, Yau Lee Centre, 45 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong on Wednesday, 4 March 2009 at 11:00 a.m. is set out on pages 148 to 149 of this circular. Whether or not you are able to attend the special general meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the special general meeting or any adjourned meeting. Completion and delivery of the form of proxy will not preclude you from attending and voting in person at the special general meeting if you so wish.

12 February 2009

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“associates”	has the meaning ascribed to this term under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday, Sunday or public holiday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“Company”	Wing Hing International (Holdings) Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the Stock Exchange
“Completion”	completion of the sale and purchase of the Sale Share and the Sale Loan in accordance with the terms and conditions of the Sale and Purchase Agreement
“connected persons”	has the meaning ascribed to this term under the Listing Rules
“Consideration”	the consideration of HK\$120,000,000 to be satisfied by way of offsetting the full amount due and owing to the Purchaser by the Company under the Promissory Note for the Disposal
“Directors”	the directors of the Company
“Disposal”	the Disposal of the Sale Share and the Sale Loan by the Purchaser as contemplated under the Sale and Purchase Agreement
“Group”	the Company and its subsidiaries
“HK Subsidiary”	Asia Biodiesel and Renewable Energy (Mongolia) Company Limited, a direct wholly-owned subsidiary of the Target
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee comprising all the independent non-executive Directors, which will be formed to advise the Independent Shareholders as to the fairness and reasonableness of the Disposal
“Independent Shareholders”	Shareholders other than the Purchaser and its associates
“Independent Third Party”	any person or company and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons

DEFINITIONS

“Latest Practicable Date”	9 February 2009, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“PRC Subsidiary”	內蒙古蒙威生物油環保製品有限公司 (transliterated as Inner Mongolia Meng Wei Biodiesel and Environmental Protection Products Company Limited#), a Chinese-foreign joint-venture enterprise established in the PRC, is an indirect non-wholly owned subsidiary of the Target, 55% of the registered capital of which is beneficially owned by the HK Subsidiary
“Promissory Note”	the zero coupon promissory note due 2013 in the principal amount of HK\$120,000,000 issued by the Company to the Purchaser
“Purchaser”	Ms Liu Pui Lan
“Remaining Group”	the Group as excluding the Target Group upon Completion
“Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 31 December 2008 entered into between the Purchaser and the Vendor in relation to the sale and purchase of the Sale Share and the Sale Loan
“Sale Loan”	all obligations, liabilities and debts owing or incurred by the Target to the Vendor on or at any time prior to Completion whether actual, contingent or deferred and irrespective of whether the same is due and payable on Completion which as at 30 September 2008, amounted to HK\$90,011,993
“Sale Share”	one ordinary share of US\$1.00 in the issued share capital of the Target, representing the entire issued share capital of the Target
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be held and convened on Wednesday, 4 March 2009 at 11:00 a.m. for the purpose of considering and, if thought fit, approving the Sale and Purchase Agreement and the transactions contemplated thereunder

DEFINITIONS

“Share(s)”	ordinary share(s) of HK\$1.00 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target”	Farrell Global Limited, a company incorporated in the British Virgin Islands, whose entire issued share capital is beneficially owned by the Vendor
“Target Group”	the Target, the HK Subsidiary and the PRC Subsidiary or where the context so requires in respect of the period before the Target became the holding company of its present subsidiaries, the present subsidiaries of the Target
“VC Capital”	VC Capital Limited, a licensed corporation under the SFO to conduct type 1 and type 6 regulated activities (dealing in securities and advising on corporate finance), being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Disposal
“Vendor”	CWS International Trading Limited, a wholly owned subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“MYR”	Malaysian Ringgit, the lawful currency of Malaysia
“RMB”	Renminbi, the lawful currency of the PRC
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

For the purpose of this circular, unless otherwise specified, conversions of US\$ into HK\$ are based on the approximate exchange rate of US\$1.00 to HK\$7.78.

the English translations of Chinese names or words in this circular, where indicated, are included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.

LETTER FROM THE BOARD

WING HING INTERNATIONAL (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 621)



Executive Directors:

Ng Tat Leung, George (*Chairman*)
Wong Teck Ming (*Deputy Chairman*)
Lui Siu Yee, Samuel
Leung Pui Kwan
Peter He

Registered office:

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

Independent non-executive Directors:

Wong Lit Chor, Alexis
Leung Wai Cheung
Hui Wah Tat, Anthony

*Head office and principal place
of business in Hong Kong:*

14th Floor
Yau Lee Centre
45 Hoi Yuen Road
Kwun Tong, Kowloon
Hong Kong

12 February 2009

To the Shareholders

Dear Sir or Madam

VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION

INTRODUCTION

Reference is made to the announcement of the Company dated 13 January 2009 in which the Board announced that on 31 December 2008, the Vendor, a wholly owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Purchaser to sell the Sale Shares and the Sale Loan for a consideration of HK\$120,000,000.

The Disposal constitutes a very substantial disposal on the part of the Company under the Listing Rules. As the Purchaser is a connected person of the Company, the Disposal also constitutes a connected transaction on the part of the Company and will be subject to the approval of the Independent Shareholders at the SGM by way of poll.

The purpose of this circular is to provide you with further information regarding the Disposal and to seek approval from the Independent Shareholders for the Disposal and the transactions contemplated thereunder.

LETTER FROM THE BOARD

THE SALE AND PURCHASE AGREEMENT

Date: 31 December 2008

Parties: (1) Vendor : CWS International Trading Limited, a wholly owned subsidiary of the Company

(2) Purchaser : Liu Pui Lan

As the Purchaser is interested in approximately 13.02% of the entire issued share capital of the Company as at the Latest Practicable Date, the Purchaser is a connected person of the Company.

Assets to be disposed

Pursuant to the Sale and Purchase Agreement, the Purchaser has agreed to acquire and the Vendor has agreed to sell: (i) the Sale Share, representing the entire issued share capital of the Target as at the Latest Practicable Date; and (ii) the Sale Loan, which amounts to approximately HK\$90,011,993 as at 30 September 2008.

Consideration

The Consideration for the sale and purchase of the Sale Share and Sale Loan shall be satisfied by way of offsetting the full amount due and owing to the Purchaser by the Company under the Promissory Note. The Consideration is in excess of the net asset value of the Target Group as at 30 September 2008 in the amount of HK\$17,751,000.

The land use rights of a parcel of agricultural land held by Target Group was preliminarily valued by Asset Appraisal Limited, an independent valuer at RMB184,000,000 as at 30 November 2008 by adopting the comparison method where comparison based on prices realised or market prices of comparable properties is made. Comparable properties of similar size, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of capital values.

The Consideration was determined with reference to the valuation of the PRC Subsidiary by Asset Appraisal Limited, an independent valuer. The PRC Subsidiary was preliminarily valued by the valuer at RMB188,000,000 as at 30 November 2008 by adopting the market approach to value the PRC Subsidiary. The market approach provides indications of value of a business by measuring a multiple computed by dividing the price of the comparable companies shares by their relevant economic variable of revenue. Having considered the professional qualification of the valuer and its relevant experiences in valuing the agricultural or pharmaceutical chemical related projects, the Directors are of the view that it is reasonable and appropriate to rely on the valuation made by the valuer to determine the Consideration.

LETTER FROM THE BOARD

The Consideration for the Sale Share and the Sale Loan was agreed between the Vendor and the Purchaser after arm's length negotiations after considering the valuation of the Target Group. As such, the Directors (including the independent non-executive Directors) consider that the terms and conditions of the Disposal to be fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

For further details on the valuation report on the PRC Subsidiary and the valuation report on the property of the Target Group, please refer the valuation report as set out in Appendix I and Appendix II respectively.

Conditions precedent

Completion shall be conditional upon and subject to:

- (a) the passing by the Independent Shareholders of the Company at a special general meeting of the Company to be convened and held of the necessary resolutions to approve the Sale and Purchase Agreement and the transactions contemplated hereunder; and
- (b) all necessary consents and approvals required to be obtained on the part of the Purchaser in respect of the Sale and Purchase Agreement and the transactions contemplated hereby having been obtained.

All of the conditions are not waivable under the Sale and Purchase Agreement. If the conditions have not been satisfied on or before 31 March 2009, or such later date as the Vendor and the Purchaser may agree, the Sale and Purchase Agreement shall cease and determine, and thereafter neither party shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the terms thereof.

Completion

Completion shall take place at 4:00 p.m. on the date falling two Business Days after the fulfilment of the conditions or such later date as may be agreed between the Vendor and the Purchaser.

Upon Completion, the Target will cease to be a subsidiary of the Company and the Company will principally be engaged in superstructure construction, foundation piling, substructure works, slope improvement, special construction projects, interior decoration works and coal exploitation and trading.

LETTER FROM THE BOARD

INFORMATION ON THE TARGET GROUP

As set out in the announcement of the Company dated 14 January 2008, on 10 January 2008, the Vendor agreed to acquire the Sale Share and the shareholder's loan from the Purchaser for a total consideration of HK\$250,000,000. Such acquisition was completed on 26 March 2008. The consideration was determined with reference to the valuation of the PRC Subsidiary by Asset Appraisal Limited, an independent valuer. The PRC Subsidiary was preliminarily valued by the valuer at HK\$780,000,000 as at 31 December 2007 by adopting the market approach to value the PRC Subsidiary. The market approach provides indications of value of a business by measuring a multiple computed by dividing the price of the comparable companies shares by their relevant economic variable of revenue. In this approach, the fair value is based on prices at which equities of similar companies are being traded on the market. Among the various value measures, the enterprise value-to-revenue was chosen by the valuer as the most optimal the multiples, the valuer has chosen "enterprise value-to-revenue" multiple as the most optimal ratio for valuing the PRC Subsidiary.

For valuation as at 31 December 2007, the valuer used comparables to the data as available at that time. Given the comparable multiples, an expected annual revenue of RMB114 million and an estimated start up costs of RMB50 million, the valuer came up with a fair value of RMB780 million for the PRC Subsidiary. For valuation as at 30 November 2008, the global equity market and even the economy worldwide has been greatly hampered by the financial turmoil triggered in mid-September. Since then there were drastic correction on the equity market where substantial plunge in share prices of companies across the board were seen.

Besides the gloomy outlook of the overall global financial market, the fundamental of the sector was also hurt by the recent sharp reverse of crude oil prices where the market expects shrinkage in demand of agricultural products that can be used as feed stock for biofuel.

Given the great drop in the economic multiples as comparing with that in January 2008, the drop in the re-valuation figure as at 30 November 2008 is in line with the market change.

The consideration for the sale and purchase of the Sale Share and shareholder's loan for such acquisition was satisfied by the Vendor in the following manner:

- (a) HK\$80,000,000 was satisfied by the Vendor procuring the Company to allot and issue 14,700,000 new Shares to the Purchaser credited as fully paid, at the issue price of approximately HK\$5.44 per Share on completion;
- (b) HK\$50,000,000 was paid in cash by the Vendor to the Purchaser on completion; and
- (c) the balance of HK\$120,000,000 was satisfied by the Vendor procuring the Company to issue the Promissory Note to the Purchaser on completion.

LETTER FROM THE BOARD

The Target was incorporated in the British Virgin Islands on 17 August 2007 and is principally engaged in investment holding. The HK Subsidiary, a direct wholly-owned subsidiary of the Target, was incorporated in Hong Kong on 11 January 2007. The PRC Subsidiary, a 55% owned subsidiary of the HK Subsidiary, was established in the PRC on 30 October 2007 and is principally engaged in development and management of a series of sophora products and development and management of biological vegetable oil, including sunflower oil. The remaining 45% of the registered capital of the PRC Subsidiary is beneficially owned by 內蒙古苦豆籽投資有限公司 (Inner Mongolia Sophora Investment Company Limited#), which is an Independent Third Party.

Sophora is a genus of trees and shrubs, and a few perennial herbs, in which the leaves are alternate, usually pinnate with numerous leaflets and with stipules. Sophora is extensively used in Chinese medicine and is recognised for its effectiveness in dispelling heat (清熱), drying dampness (祛濕), expelling wind (除風), and eliminating intestinal parasites (杜蟲).

Sunflower oil is the non-volatile oil extracted from sunflower seeds. Sunflower oil is high in the essential vitamin E and low in saturated fat and is recognised for its effectiveness in reducing the risk of coronary heart disease. Studies of adults suggested that a balanced diet in which small quantities of saturated fats are replaced with sunflower oil has detectable cholesterol-reducing benefits. Research suggests that lower cholesterol levels can be caused by balances of polyunsaturated and monounsaturated fatty acids. Sunflower oil may help with this balance.

As of 31 December 2007, the PRC Subsidiary has secured collectively-owned land use rights of a parcel of agricultural land at the south of Jiba Highway, Da Qi Wu Lan Xiang Wu Lan Cun, Inner Mongolia Autonomous Region, the PRC, with a total land area for plantation base agriculture of 82,040 acres. The PRC Subsidiary has a right to rent an additional parcel of land with a total land area of 362,960 acres for a term of two years with a consideration of RMB2.00 per acre for two years from 內蒙古苦豆籽投資有限公司 (Inner Mongolia Sophora Investment Company Limited#) for plantation of sophora and oilseed sunflower. The capital expenditure of HK\$32 million is required for site formation works and acquisition of production equipments and it is expected that it will take approximately one year for the completion of such works.

According to the unaudited consolidated management accounts of the Target Group prepared under the Hong Kong accounting standard, for period commencing from 17 August 2007 to 31 December 2007, the net loss before and after taxation was approximately HK\$27,000. The net liabilities of the Target Group was approximately HK\$27,000 as at 31 December 2007.

According to the unaudited consolidated management accounts of the Target Group prepared under the Hong Kong accounting standard, for nine months ended 30 September 2008, the net loss before and after taxation was approximately HK\$2,000. The net asset value of the Target Group was approximately HK\$104,249,000 as at 30 September 2008.

Capital commitment

As at the Latest Practicable Date, the HK Subsidiary has an outstanding capital commitment to the PRC Subsidiary in the amount of US\$4,932,500 (equivalent to approximately HK\$38,375,000), which will be payable by the HK Subsidiary on or before 19 December 2009.

LETTER FROM THE BOARD

FINANCIAL EFFECT OF THE DISPOSAL

According to the unaudited pro forma financial information of the Remaining Group as set out in appendix IV to this circular, after the Disposal, the net profit of the Group will decrease from approximately HK\$6,021,000 to the loss of approximately HK\$(72,583,000). The total assets of the Group will decrease from approximately HK\$584,731,000 to approximately HK\$302,738,000. The total liabilities of the Group will decrease from approximately HK\$280,653,000 to approximately HK\$182,350,000.

The estimate loss on disposal of the Target Group will be approximately HK\$61,513,000. The estimate loss on the Disposal represents the estimated loss on the Disposal of approximately HK\$61,513,000 which is calculated based on (i) the net consideration of approximately HK\$117,500,000 (representing the Consideration of HK\$120,000,000 less the estimated expenses to be incurred in connection with the Disposal of approximately HK\$2,500,000); and (ii) the adjusted net assets attributable to the Target Group as at 31 December 2007 of approximately HK\$179,013,000 (representing the net liabilities attributable to the equity holder of the Target Group of approximately HK\$836,000 less the amounts due to the Remaining Group of approximately HK\$90,020,000, plus goodwill of approximately HK\$89,829,000 attributable to the Target Group), as if the Disposal had been completed on 1 April 2007.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE RESULTS OF THE GROUP

For the year ended 31 March 2008

During the year under review, the Group has recorded a turnover of HK\$513 million which represents an increase of 6.9% compared with the turnover recorded in the corresponding period of last year. The Group recorded a net profit from ordinary activities attributable to equity holders of approximately HK\$8.1 million compared with a net profit from ordinary activities attributable to equity holders of approximately HK\$9.5 million for the corresponding period of last year.

(i) Construction and Building

The Group has secured several contracts during the last financial year, which include the Astounding Asia at Ocean Park, an industrial development at No.37-39 Wing Hong Street, Lai Chi Kok, a commercial development at No.7 Shing Yip Street, Kwun Tong, a new annex and swimming pool building for Tsung Tsin Christian Academy at No.8 Lai Hong Road, Cheung Sha Wan and a water mains replacement and rehabilitation contract in joint venture with China Harbour Engineering Company Limited. Together with contracts previously secured, the total value of current contracts on hand amounted to about HK\$675 million.

As regards major completed projects, the Group has satisfactorily completed the through-train school development at Shek Mun, Shatin, 3 minor contracts for an international theme park, a foundation contract for an annex and swimming pool building at Tsung Tsin Christian Academy at No.8 Lai Hong Road, Cheung Sha Wan and the third golf course at Kau Sai Chau which is undertaken through joint venture with China Harbour Engineering Company Limited.

LETTER FROM THE BOARD

In the leisure market, the Group's associated company, Hypsos Leisure Asia Limited, has secured the project management and implementation of an exhibition building for Johnson & Johnson in Beijing which was designed especially for the Beijing Olympic Games in August 2008.

Due to the continuous fierce competition in the construction market, a net loss of approximately HK\$12,000,000 has been recorded during the period under review arising from the construction sector and joint-ventures in this area.

(ii) Wastewater Treatment and Property Development

During the year under review, the Group has signed a sale and purchase agreement for the disposal of certain properties and investments and the wastewater treatment facility project in Zhuhai, China. The details of the disposal can be found in the Company's circular on the "Very Substantial Disposal and Connected Transaction" dated 26 March 2008. The said sale and purchase agreement and the transaction contemplated thereunder were subsequently approved by the shareholders at the special general meeting dated 14 April 2008. Through the disposal, the Group will realise a reasonable return which will be reflected in the 2008/2009 financial year.

Liquidity and financial resources

For the year end 31 March 2008

As at 31 March 2008, the Group's had no outstanding bank borrowings. As at 31 March 2008, the Group's banking facilities were supported by (i) legal charges over the Group's leasehold land and buildings, which are all situated in Hong Kong, with carrying value of approximately HK\$10,630,000; (ii) legal charges over the Group's investment property, which is situated in Hong Kong, with carrying value of approximately HK\$6,500,000; (iii) pledged deposits of approximately HK\$21,860,000 of the Group; (iv) corporate guarantees to the extent of approximately HK\$44.6 million in aggregate executed by the Company in respect of the 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 2008 was 0.168 (2007: 0.014), calculated based on the Group's total borrowings of HK\$98,280,000 (2007: HK\$3,504,000) over the Group's total assets of HK\$584,731,000 (2007: HK\$250,588,000).

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 minimise risks in its business.

Employees

The Remaining Group employed approximately 190 staff, excluding workers under exclusive subcontracting arrangements, for the year ended 31 March 2008. Total staff costs for the year ended 31 March 2008, excluding Directors' remuneration, amounted to approximately

LETTER FROM THE BOARD

HK\$42,556,000. The remuneration packages of the Group's employees are mainly based on their performance and experience, taking into account current industry practices. The remuneration policy and packages of the Group's employees are reviewed regularly.

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme in accordance with the rules of the MPF Scheme.

In addition to the provision of the MPF Scheme, a share option scheme (the "Scheme") is also available to employees based on their performance. The Company operates 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-calibre 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.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings. No share options were granted under the Scheme as at 31 March 2008.

Exposure to fluctuations in exchange rates

Since the functional currencies of the Group's operations are mainly Hong Kong dollars, United States dollars and Renminbi, the Directors consider that the potential foreign exchange exposure of the Remaining Group during the year ended 31 March 2008 is limited.

Material acquisitions and disposals of subsidiaries and associated companies

There were no material acquisitions and disposals of subsidiaries, jointly controlled entities and associated companies during the year ended 31 March 2008.

Significant investments or capital assets

There were no significant investment or capital assets for the year ended 31 March 2008.

LETTER FROM THE BOARD

Future plans for material investments or capital assets

The Group generally finances its material investments or capital assets with internally generated cash flow and banking facilities provided by its principal bankers in Hong Kong and PRC.

There were no future plans for material investments or capital assets for the year ending 31 March 2008.

Contingent liabilities

- (i) At 31 March 2008, the Group had executed guarantees in respect of performance bonds in favor of contract customers of approximately HK\$25,143,000 (2007: HK\$54,138,000). In addition, at 31 March 2008, 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 original contract sum of approximately HK\$85,392,000 (2007: 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.

At 31 March 2008, the Company had executed guarantees for approximately HK\$36,000,000 in respect of the general banking facilities granted to CHEC-CWF Limited (a jointly-controlled entity in which the Group has 30% equity interests).

At 31 March 2008, the Company had executed guarantees for approximately HK\$73,760,000 in respect of the general banking facilities granted to Wealthy Star Development Limited (an investee entity in which the Group has 8% equity interests).

At 31 March 2008, the Company had executed guarantees for approximately HK\$44,620,000 (2007: HK\$42,800,000) in respect of the general banking facilities granted to W. Hing Construction Company Limited and CWF Piling & Civil Engineering Company Limited (wholly-owned subsidiaries of the Company).

In the opinion of the directors, no material liabilities will arise from the above corporate guarantees which arose in the ordinary course of business and the fair value of the corporate guarantees granted by the Company is immaterial.

- (ii) At 31 March 2008, 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 at 31 March 2008 in the amount of approximately HK\$17,342,000 (2007: HK\$14,372,000) has already been accounted for in presenting these financial statements.

LETTER FROM THE BOARD

- (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.
- (iv) 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\$2.6 million at 31 March 2008. 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.
- (v) 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.
- (vi) 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.

LETTER FROM THE BOARD

Indebtedness

Save as disclosed under the section headed “Indebtedness” as set out in Appendix V “Other Financial Information of the Group” or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade payables, the Group did not have any outstanding borrowings, bank overdrafts, loans or other similar indebtedness under acceptances (other than normal trade bill) or acceptance credits, debentures or other loan capital, mortgages, charges, hire purchase or finance lease commitments, guarantees, capital commitments or other contingent liabilities at the close of business on 31 March 2008.

The Directors have confirmed that there has not been any material change in the indebtedness and contingent liabilities of the Group since 31 March 2008.

REASONS FOR THE DISPOSAL

The Group is principally engaged in superstructure construction, foundation piling, substructure works, slope improvement, special construction projects, interior decoration works and coal exploitation and trading in Hong Kong and the PRC.

There will not be any net proceeds receivable by the Group as a result of the Disposal.

As biological vegetable oil is commonly used as a form of fuel and as an alternative source of fuel to crude oil, the price of crude oil is therefore correlated with the price of biological vegetable oil. The price of biological vegetable oil has reduced due to the recent decrease in the price of the crude oil from US\$93.04 on 2 January 2008 to US\$38.42 on 31 December 2008. Based on the information as quoted from the Malaysia Derivatives Exchange, the price of crude palm oil (being a kind of biological vegetable oil) fell from MYR4,166 per ton on 3 March 2008 to MYR1,695 per ton on 31 December 2008. Based on available market data, the price of sophora also fell substantially during the period from RMB5,500 per ton in September 2007 to RMB2,600 per ton in December 2008. The decrease in the price of the biological vegetable oil has adversely affected the profit margin of biological vegetable oil business. The Group will also need to inject capital commitment in the amount of US\$4,932,500 (equivalent to approximately HK\$38,375,000) to the PRC Subsidiary prior to 19 December 2009. Based on the above, the Directors consider that the Disposal represents a good opportunity for the Group to realise the Target Group, to strengthen the financial position of the Group and to reduce the amount of liabilities of the Group. The Group will also not be required to raise funds for the outstanding capital commitment to the PRC Subsidiary. As the market expects shrinkage in demand of agricultural products that can be used as feed stock for biofuel and the falling trend of the prices of the crude oil, biological vegetable oil and sophora, the Board is of the opinion that the future price of biological vegetable oil and crude oil will further decrease. Although the acquisition of the Target Group was only completed in March 2008 and there will be a significant loss of HK\$75.8 million by the Group from the disposal of the Target Group, the Group will not need to inject the outstanding capital commitment in the amount of US\$4,932,500 to the PRC Subsidiary and the Group can concentrate its financial and human resources into superstructure construction, foundation piling, substructure works, slope improvement, special construction projects, interior decoration works and coal exploitation and trading. The Board also considered that the Purchaser is the original vendor who

LETTER FROM THE BOARD

sold the Target Group to the Group. However, given the downturn of the global economy, the decrease in the profitability from the sale of biological vegetable oil and the Purchaser's willingness to acquire the Target Group, the Board considers that the selling of the Target Group to the Purchaser after arm length negotiation is in the interests of the Company and the Shareholders as a whole. Taking into account of the valuation of the Target Group, the Board is of the view that the terms and conditions of the Disposal are fair and reasonable and the Disposal is in the interests of the Company and the Shareholders as a whole.

As at the Latest Practicable Date, the Purchaser had not nominated any director to the Board.

PROSPECTS OF THE REMAINING GROUP

After completion of the disposal of Target Group, the remaining group will engage in the construction and coal mines business. Due to the shrinking market size, the local construction market has been highly competitive and the Group envisages such difficult environment to persist in the medium term future. The traditional low-end construction market will suffer more due to the higher number of competitors and hence keener competition. The Group has developed over time from a traditional low-margin construction contractor to a diversified conglomerate engaged in construction, property investment, environmental engineering and investment, and higher-margin specialist construction in various areas related to leisure markets.

In a continuously effort to further broaden the Group's income sources, the Directors recognised that the growth in the PRC and other developing counties will increase the demand for coal. The increase in the global demand compounded with the reduction in the amount coal exported by traditional coal exporting counties will led to an increase in the price of coal. In the PRC, the situation of the coal mines has an effect on the price of coal due to the transportation costs. Transportation costs for coal mines situated in Guizhou will be relatively lower as there are a number of potential customers, such as coal driven power stations, in the province. Board is of the view that the Group's earning asset base and income potentials will be strategically enhanced.

LISTING RULES IMPLICATIONS

The Disposal constitutes a very substantial disposal on the part of the Company under the Listing Rules. As the Purchaser is a connected person of the Company, the Disposal also constitutes a connected transaction on the part of the Company and will be subject to the approval of the Independent Shareholders at the SGM by way of poll.

The Disposal is subject to, among others, the approval by the Independent Shareholders at the SGM to be taken by way of a poll. The Purchaser, which holds approximately 13.02% of the entire issued share capital of the Company as at the Latest Practicable Date, and its associates will abstain from voting for the relevant resolution at the SGM to approve the Disposal and the transactions contemplated thereunder due to their interests in the Disposal. 內蒙古苦豆籽投資有限公司 (Inner Mongolia Sophora Investment Company Limited[#]) will also abstain from voting for the relevant resolution at the SGM to approve the Disposal and the transactions contemplated. As at the Latest Practicable Date, 內蒙古苦豆籽投資有限公司 (Inner Mongolia Sophora Investment Company Limited[#]) is not interested in any Share.

LETTER FROM THE BOARD

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders as to the fairness and reasonableness of the Disposal. VC Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

SGM

Set out on pages 148 to 149 is a notice convening the SGM to be held at 14th Floor, Yau Lee Centre, 45 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong on Wednesday, 4 March 2009 at 11:00 a.m. at which relevant resolution will be proposed to the Independent Shareholders to consider and, if thought fit, approve the Disposal and the transactions contemplated thereunder.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the special general meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the special general meeting or any adjourned meeting. Completion and delivery of the form of proxy will not preclude you from attending and voting in person at the SGM if you so wish.

RECOMMENDATION

The Board considers that the terms of the Disposal are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the ordinary resolution as set out in the notice of SGM.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully
For and on behalf of the Board
Wing Hing International (Holdings) Limited
Ng Tat Leung, George
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

WING HING INTERNATIONAL (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 621)



12 February 2009

To the Independent Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION

We refer to the circular of the Company dated 12 February 2009 (the “**Circular**”) to the Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed by the Board as members to form the Independent Board Committee and to advise you the terms of the Disposal whether such terms are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole and how to vote on the resolution regarding the Disposal.

VC Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Disposal are fair and reasonable so far as the Independent Shareholders are concerned, whether such terms are in the interests of the Company and the Independent Shareholders as a whole. Details of its advice, together with the principal factors taken into consideration in arriving at such advice, is set out on pages 18 to 24 of the Circular. Your attention is also drawn to the letter from the Board set out on page 4 to 16 of the Circular and the additional information set out in the appendices of the Circular.

Having considered the terms of the Disposal and the advice of VC Capital, we are of the opinion that the Disposal was on normal commercial terms and the terms of the Disposal are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Disposal.

Yours faithfully

Independent Board Committee of
Wing Hing International (Holdings) Limited

Wong Li Chor, Alexis
Independent non-executive Director

Leung Wai Cheung
Independent non-executive Director

Hui Wah Tat Anthony
Independent non-executive Director

LETTER FROM VC CAPITAL

Set out below is a full text of the letter of advice from VC Capital to the Independent Board Committee and the Independent Shareholders in relation to the Disposal, which has been prepared for the purpose of incorporation into this circular.



12 February 2009

*To the Independent Board Committee
and the Independent Shareholders of
Wing Hing International (Holdings) Limited*

Dear Sirs,

VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Disposal, details of which are contained in the section headed "Letter from the Board" in a circular to the Shareholders dated 12 February 2009 (the "Circular"), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

Pursuant to the announcement dated 13 January 2009, the Company announced that on 31 December 2008, the Company has entered into the Sale and Purchase Agreement with the Purchaser pursuant to which the Purchaser has agreed to acquire and the Company has agreed to sell the Sale Share and the Sale Loan (being approximately HK\$90,011,993 as at 30 September 2008) for a total consideration of HK\$120,000,000, which shall be satisfied by way of offsetting the full amount due and owing to the Purchaser by the Company under the Promissory Note.

The Purchaser, Ms Liu Pui Lan, was interested in approximately 13.02% of the entire issued share capital of the Company as at the Latest Practicable Date. Therefore the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. The Disposal also constitutes a very substantial disposal on the part of the Company under Chapter 14 of the Listing Rules. Accordingly, the Disposal will be subject to the approval of the Independent Shareholders at the SGM by way of poll.

As at the date hereof, the Company has three independent non-executive Directors, namely Mr. Wong Lit Chor, Alexis, Dr. Leung Wai Cheung and Mr. Hui Wah Tat, Anthony. The Independent Board Committee comprising all three aforementioned independent non-executive Directors, who have no interest in the Disposal, has been formed to advise and make recommendation to the Independent Shareholders in relation to the Disposal.

LETTER FROM VC CAPITAL

As we are the independent financial adviser to the Independent Board Committee and the Independent Shareholders, our role is to provide the Independent Board Committee and the Independent Shareholders our opinion as to whether the Disposal is on normal commercial terms, whether it is in the ordinary and usual course of business of the Group, whether the terms of the Disposal are fair and reasonable so far as the interests of the Independent Shareholders are concerned and whether the Disposal is in the interests of the Company and the Shareholders as a whole.

VC Capital Limited (“VC Capital”) is not associated with the Company and its substantial Shareholders or any party acting, or presumed to be acting, in concert with any of them and, accordingly, is considered eligible to give independent advice on the terms of the Disposal. Apart from normal professional fees payable to us in connection with this engagement, no arrangement exists whereby VC Capital will receive any fees or benefits from the Company or its substantial Shareholders or any party acting, or presumed to be acting, in concert with any of them.

BASIS OF OUR OPINION

In formulating our recommendation, we have relied on the information and facts supplied and the opinions expressed by the executive Directors and senior management of the Group. We have also assumed that the information and representations contained or referred to in the Circular (including the appendices to the Circular) were true and accurate at the time when they were prepared or made and will continue to be so up to the date of the SGM. We have also been advised by the executive Directors that no material facts have been omitted from the Circular and in the information provided to us.

We consider we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for advice and have taken reasonable steps as required under Rule 13.80 of the Listing Rules in forming our opinion. We have not, however, conducted any independent investigation into the business and affairs or the future prospects of the Group, nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In considering whether the Disposal is on normal commercial terms, whether it is in the ordinary and usual course of business of the Group, whether the terms of the Disposal are fair and reasonable so far as the interests of the Independent Shareholders are concerned, and whether the Disposal is in the interests of the Company and the Shareholders as a whole, we have taken the following principal factors and reasons into consideration.

LETTER FROM VC CAPITAL

1. Background and reasons of the Disposal

Prior to the acquisition of two natural resources related projects in 2008, the Group was principally engaged in superstructure construction, foundation piling, substructure works, slope improvement, special construction projects and interior decoration works in Hong Kong and the PRC.

As stated in the circular of the Company dated 22 February 2008 (the “February Circular”), the Group has experienced fierce competition from other market competitors in tendering construction projects in both the private and public sectors. The difficult market conditions in the local construction industry have caused the Group to take a fresh look at its core business.

In 2008, the Group disposed of its water treatment business in the PRC and some properties in Hong Kong, details of which are stated in the circular of the Company dated 26 March 2008, and acquired two natural resources related businesses, namely biological vegetable oil business and coal exploitation and trading business, to diversify its business, details of which are stated in the February Circular and in the circular of the Company dated 29 August 2008.

As stated in the February Circular, the entering into of the agreement dated 10 January 2008 in relation to the acquisition by the Company of the entire issued share capital of the Target, together with related liabilities, was meant to enhance the asset base and the income potentials by diversifying into biological vegetable oil business. However, the global financial crisis that started since September 2008 has created a gloomy outlook for the global economy. The prices of biological vegetable oil also substantially decreased during 2008. For example and for reference purposes only, as disclosed in the “Letter from the Board” in the Circular, based on the information from the Malaysia Derivatives Exchange, the price of crude palm oil (being a kind of biological vegetable oil) fell from MYR4,166 per ton on 3 March 2008 to MYR1,695 per ton on 31 December 2008. Based on available market data, the price of sophora also fell substantially from RMB5,500 per ton in September 2007 to RMB2,600 per ton in December 2008.

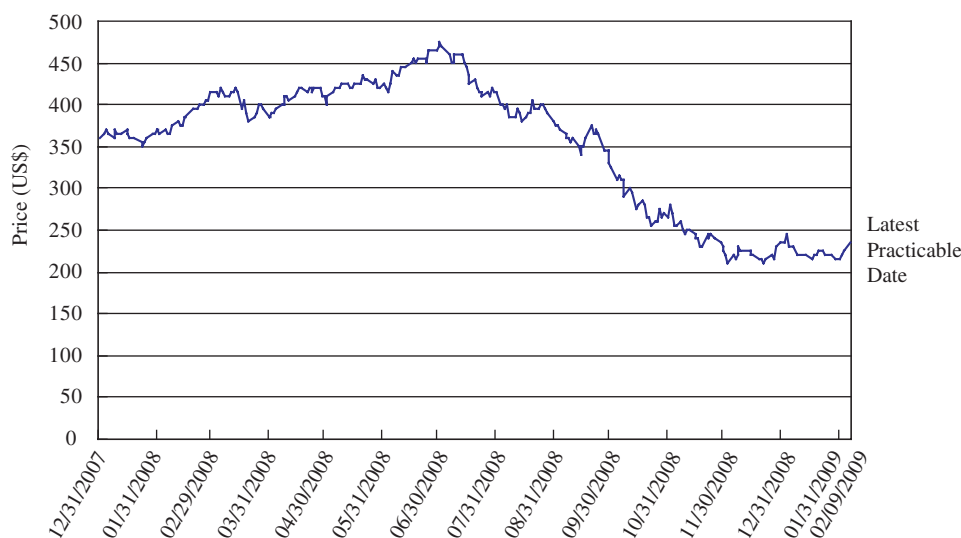
Given the market expectation of a shrinkage in demand of agricultural products that can be used as feed stock for biofuel and the sharp decrease in the price of biological vegetable oil, the Board is of the opinion that the future price of biological vegetable oil and crude oil will further decrease and the profitability of its biological vegetable oil business will be adversely affected. This leaves the uncertainties to the Company if the original estimated benefit as said in the February Circular can be realized. In order to safeguard the Group’s financial position, the Board considers that the Disposal would be the best alternative to the Company to minimize the damages which may be incurred by the Group as a result of continuing its biological vegetable oil business.

After the Disposal, the Group will continue its remaining businesses of (i) engaging in superstructure construction, foundation piling, substructure works, slope improvement, special construction projects and interior decoration; and (ii) coal exploitation and trading in Hong Kong and the PRC.

LETTER FROM VC CAPITAL

We have been unable to locate complete information on the prices of sunflower oil and sophora in the PRC from 31 December 2007 (being one year prior to the entering into of the Sale and Purchase Agreement) up to and including the Latest Practicable Date in the public domain. We have therefore considered the Reuters/Jefferies CRB Index, which is a widely recognised measure in global commodities markets. The Reuters/Jefferies CRB Index is a weighted average index of prices of various commodities including oil, gas, agricultural products, metals and precious metals. The following diagram shows the Reuters/Jefferies CRB Index from 31 December 2007 up to and including the Latest Practicable Date:—

Reuters/Jefferies CRB Index from 31 December 2007 – Latest Practicable Date



Source: Bloomberg

As stated in the preceding paragraph, based on the information from the Malaysia Derivatives Exchange, for reference purposes only, the price of crude palm oil (being a kind of biological vegetable oil) fell from MYR4,166 per ton on 3 March 2008 to MYR1,695 per ton on 31 December 2008. Based on available market data, the price of sophora also fell substantially from RMB5,500 per ton in September 2007 to RMB2,600 per ton in December 2008. This illustrates that the prices of crude palm oil (as a comparable biofuel with sunflower oil) and sophora (being a type of agricultural commodities) during the year 2008 decreased, and the Reuters/Jefferies CRB Index is also on a generally declining trend from the latter half of the year 2008 up to and including the Latest Practicable Date. Moreover, as crude oil is the major constituent of the Reuters/Jefferies CRB Index, with the heaviest weighting of 23%, and according to the January 2008 issue of the Biodiesel Magazine published by BBI International, an international renewable energy engineering and consulting company, all major global vegetable oils have begun to move in a strong correlation with crude oil prices since 2007, we therefore consider that it is acceptable to use the Reuters/Jefferies CRB Index, a widely recognised measure in global commodities markets, in our analysis.

Taking into account the gloomy global economic outlook, the generally declining trend of global commodities prices since the latter half of the year 2008 and, in particular, the sharp decrease in the prices of biological vegetable oil which will possibly affect the profitability of the Group's biological vegetable oil business should it be continued, we consider that the Disposal will relieve the Company from further potential losses, liabilities and working capital constraints that may arise therefrom, so that the Group can concentrate its resources on other present and future business development. As such, we consider that the Disposal is in the interests of the Company and the Shareholders as a whole.

LETTER FROM VC CAPITAL

2. Principal terms of the agreement

Consideration

As disclosed in the “Letter from the Board” in the Circular, the Consideration of HK\$120,000,000 shall be satisfied by way of offsetting the full amount due and owing by the Company under the Promissory Note.

The Consideration was determined with reference on the valuation of the PRC Subsidiary by Asset Appraisal Limited, an independent valuer. The PRC Subsidiary was valued at RMB188 million as at 30 November 2008 by adopting the market approach. The market approach provides indications of value of a business by measuring a multiple computed by dividing the price of the comparable companies’ shares by their relevant economic variable of revenue. In this approach, the fair value is based on prices at which equities of similar companies are being traded on the market. Among the various value measures, the valuer has chosen “enterprise value-to-revenue” multiple as the most optimal ratio for valuing the PRC Subsidiary.

We have discussed with the independent valuer in respect of the approach adopted for the valuation of the PRC Subsidiary and consider it reasonable to adopt the “enterprise value-to-revenue” approach to assess the valuation of the PRC Subsidiary for the following reasons: (i) this approach is consistent with the approach adopted in the valuation of the PRC Subsidiary at the time when the Company acquired the PRC Subsidiary in early 2008; and (ii) the products of the PRC Subsidiary are principally agricultural products, the prices of which have been highly volatile in general in recent years. The valuation of the PRC Subsidiary based on its expected sales revenue is a more appropriate parameter than others like earnings and/or asset value to measure the economic value of its business.

Besides, we note that the independent valuer has selected 10 overseas listed companies, principally in Malaysia and Indonesia, in conducting the valuation. We have discussed with the independent valuer the bases and reasons of selecting those comparable companies, and consider it reasonable to select those comparable companies for valuation purposes for the following reasons: (i) the comparable companies being selected are consistent with those selected in the previous valuation at the time the Company acquired the PRC Subsidiary in early 2008; (ii) the comparable companies selected are principally engaged in the plantation of palm oil, which, besides the products of the PRC Subsidiary, is one of the biological substitutes of crude oil.

Given that the Sale Share represents the entire issued share capital of the Target which, in turn, holds an indirect 55% interest in the PRC Subsidiary, the Sale Share represents 55% of equity interest of the PRC Subsidiary. On the basis that the valuation of the PRC Subsidiary is RMB188 million, the valuation of the Sale Share is approximately HK\$118.9 million (assuming an exchange rate of HK\$1.00 = RMB0.87), representing a discount of approximately 0.92% to the Consideration of HK\$120 million. To this end, the Consideration is in the interests of the Company and its Shareholders as a whole.

LETTER FROM VC CAPITAL

3. Financial effects of the Disposal on the Group

Upon the Completion, the Company will not have any interest in the Target Group and the PRC Subsidiary will cease to be a subsidiary of the Company.

As stated in the section headed “Unaudited Pro Forma Financial Information of the Remaining Group” in Appendix IV to the Circular, the Disposal generally improves the financial statements of the Group in the following aspects:

Earnings

It is estimated that the Disposal will record a one-off loss of approximately HK\$61,513,000 to the Company which is calculated based on (i) the net consideration of approximately HK\$117,500,000 (representing the Consideration of HK\$120,000,000 less the estimated expenses to be incurred in connection with the Disposal of approximately HK\$2,500,000); and (ii) the adjusted net assets attributable to the Target Group as at 31 December 2007 of approximately HK\$179,013,000 (representing the net liabilities attributable to the equity holder of the Target Group of approximately HK\$836,000 less the amounts due to the Remaining Group of approximately HK\$90,020,000, plus goodwill of approximately HK\$89,829,000 attributable to the Target Group), as if the Disposal had been completed on 1 April 2007, being the beginning of the year ended 31 March 2008. Nevertheless, given the uncertainty in the fundamentals of the biological vegetable oil business, we consider that notwithstanding the estimated one-off loss arising from the Disposal, the Disposal represents an appropriate means for the Group to minimize the possible negative impact of biofuel business on its future results.

Cash flow

Since the Company will not receive any cash from the Disposal, the cash position of the remaining Group will not be materially changed by virtue of the Disposal after taking into account the transaction costs associated with the Disposal of approximately HK\$2,500,000. Upon completion of the Disposal, the Group is no longer required to (i) inject capital commitment in the amount of US\$4,932,500 (equivalent to approximately HK\$38,375,000) into the PRC Subsidiary, which was supposed to fall due on 19 December 2009; and (ii) incur any expenditure on the Target Group to support the business development of the PRC Subsidiary, the Disposal can free the Group’s cash flow burden in respect of the Target Group.

Net Assets

The Disposal will reduce the net asset value of the Group from approximately HK\$304.1 million to approximately HK\$120.4 million. The reduction of the net asset value of the Group in the amount of approximately HK\$183.7 million represents: (i) the exclusion of the assets and liabilities attributable to the Target Group in the amount of approximately HK\$279.5 million as at 31 March 2008 as if the Disposal had been completed on 31 March 2008; (ii) adjustment for the Promissory Note which is no

LETTER FROM VC CAPITAL

longer payable in the amount of approximately HK\$98.3 million; and (iii) the estimated expenses to be incurred in connection with the Disposal of approximately HK\$2.5 million. Nevertheless, taking into account the fact that the Disposal would: (i) enable the Group to dispose of its biological vegetable oil business, which is facing an uncertain future in light of the gloomy global economic outlook and falling commodities prices; (ii) release the Group from its capital commitment in the PRC Subsidiary in the amount of US\$4,932,500 (equivalent to approximately HK\$38,375,000); and (iii) free the Group from any future capital expenditure required for the business development of the PRC Subsidiary, we consider the effect of the Disposal on the net asset value of the Group to be acceptable.

Gearing Ratio

As the Consideration will be satisfied by way of offsetting the full amount due and owing to the Purchaser by the Company under the Promissory Note, the Group's total liability will be reduced by approximately HK\$98.3 million, being the present value of the principal amount of the Promissory Note payable of approximately HK\$98.28 million and the exclusion of the trade and other payables of the Target Group of approximately HK\$0.023 million. The gearing ratio of the Group as at 31 March 2008 was approximately 32.55% (being the aggregate of outstanding amount of bank loans of approximately HK\$0.67 million and the present value of the Promissory Note payable by the Company of approximately HK\$98.3 million, divided by the net asset value of the Group of approximately HK\$304.1 million). The gearing ratio of the remaining Group will be reduced to approximately 0.56% (being the aggregate of outstanding amount of bank loans of approximately HK\$0.67 million divided by the net asset value of the remaining Group of approximately HK\$120.4 million). The reduction in gearing ratio helps strengthen the overall financial position of the Group.

RECOMMENDATION

Having considered all the above-mentioned principal factors and reasons, notwithstanding that the Disposal is not in the ordinary and usual course of business of the Group, we consider that the Disposal is on normal commercial terms, that the terms of the Disposal are fair and reasonable so far as the interests of the Independent Shareholders are concerned, and that the Disposal is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the SGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

Yours faithfully

For and on behalf of

VC Capital Limited

Philip Chau

Keith Lou

Managing Director

Executive Director

The following is the text of a valuation report, prepared for the purpose of incorporation in this circular received from Asset Appraisal Limited, an independent valuer, in connection with its valuation as at 30 November 2008 of the property interests held by the Target Group.



Asset Appraisal Limited
資產評估顧問有限公司

Add Rm 802 8/F On Hong Commercial Building
145 Hennessy Road Wanchai Hong Kong
地址 香港灣仔軒尼詩道145號安康商業大廈8樓802室
Tel: (852) 2529 9448
Fax: (852) 3521 9591

12 February 2009

The Board of Directors

Wing Hing International (Holdings) Limited

14th Floor
Yau Lee Centre
45 Hoi Yuen Road
Kwun Tong
Kowloon
Hong Kong

Dear Sirs,

Re: Valuation of shareholder's equity of 內蒙古蒙威生物油環保製品有限公司 (transliterated as Inner Mongolia Meng Wei Biodiesel and Environmental Protection Products Company Limited)

INSTRUCTIONS

In accordance with the instructions from **Wing Hing International (Holdings) Limited** (the "Company") to value the shareholders' equity of **Inner Mongolia Meng Wei Biodiesel and Environmental Protection Products Company Limited** ("Meng Wei").

We confirm that we have carried out inspections of the principal asset of Meng Wei in Inner Mongolia Autonomous Region, the People's Republic of China ("the PRC"), made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing our opinion of the fair value of the shareholders' equity of Meng Wei as at **30 November 2008** (referred to as the "Valuation Date").

INTRODUCTION

Meng Wei is a equity Sino-foreign joint venture entity established in the PRC on 30 October 2007 and is principally engaged in development and management of a series of sophora products and development and management of biological vegetable oil, including sunflower oil.

THE PLANTATION BASE

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In the initial stage of the operation, the plantation base would be equally (in term of land area) allocated for planting Kudouzi and oil crops with respectively outputs of 0.28 tons per mu and 0.29 tons per mu per annum subject to the completion of the following site formation works:

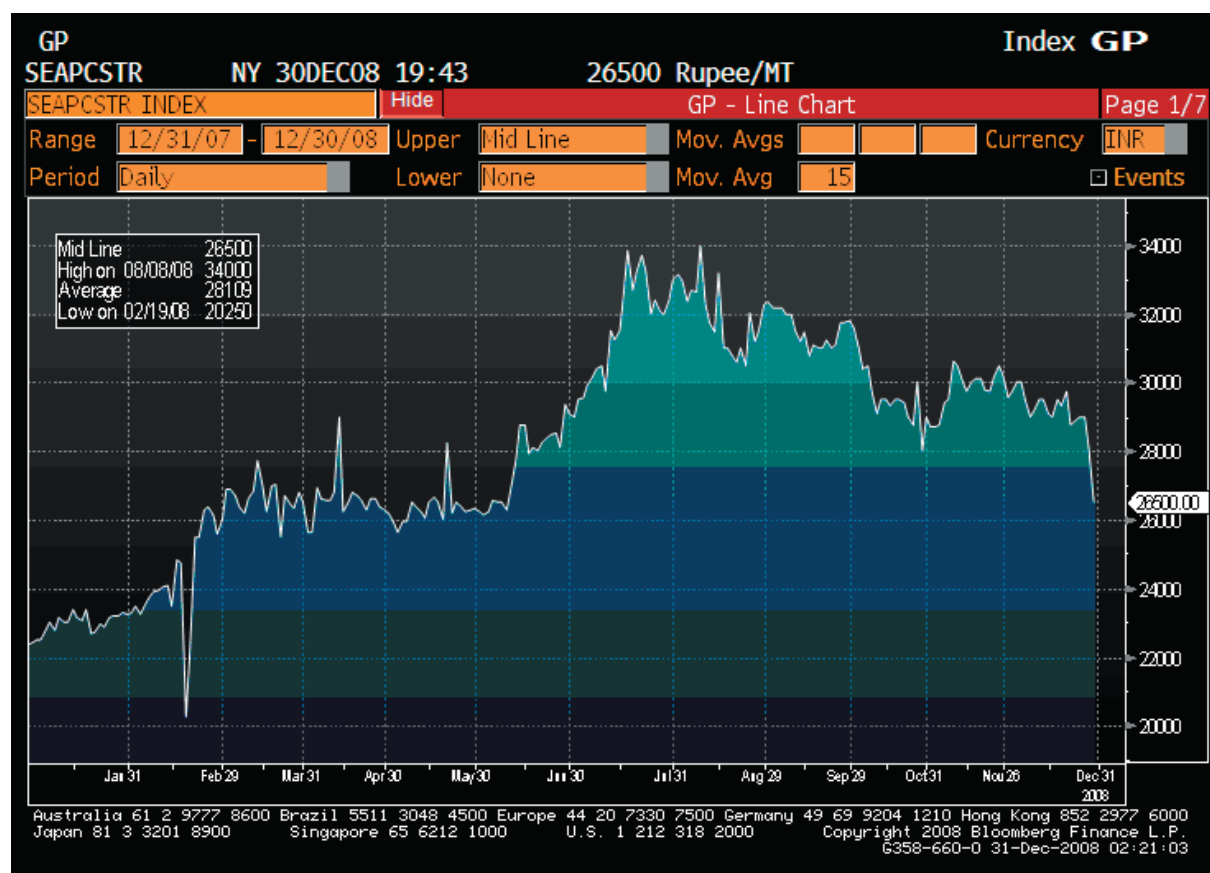
- Digging of water well (a total of 82 water well with depth ranging 60 to 80 metres are required for the entire plantation base);
- Installation of irrigation system throughout the plantation base;
- Power supply connection with the nearest power grip or power source;
- Paving of internal roads for circulation and open yard for temporary storage;
- Building of farmhouses and ancillary structures;

The total site formation cost as estimated by the Engineer is RMB15.15 million. Further, the following additional start-up costs with an estimated sum of RMB11.76 million are to be incurred before the first sowing:

- Acquisition of transport vehicles, farm trailers, uploaders, bulldozers, excavators; and
- Professional consultant fee for the design of plantation base and site formation work supervision.

The prevailing trading prices of Kudouzi and oilseeds (Sunflower Seed No. 3) are RMB2.6/kg and RMB3.4/kg respectively.

Trading prices of castor seed for immediate delivery quoted from the India Exchange at Gujarat over the period from 1 January 2008 to 31 December 2008 are exhibited in the graph shown below:



BASIS OF VALUATION AND ASSUMPTIONS

The shareholders' equity of Meng Wei has been valued on the basis of "Fair Value" in the premise of continued use which, in our appraisal, reflects the future economic benefit to be derived from the ownership of the assets. Fair Value in continued use premise is defined as the estimated amount at which an asset might be expected to exchange between a willing buyer and a willing seller, neither being under compulsion, each having reasonable knowledge of all relevant facts, and with the buyer and seller contemplating retention of the business for continuation of current operations.

Our appraisal included on-site inspection of the plantation base of Meng Wei, discussions with the management of Meng Wei in relation to the history and nature of the businesses; a study of the financial statements; a review of the operational and technical information provided by the management and the Engineer in connection with the strategy of and the plan of action to be taken to implement the business plans. We have assumed that such information, opinions and representation provided to us are true and accurate. Before arrived at our opinion of value, we have considered the following major factors:

- i. the nature and the prospect of the concerned business operations and Meng Wei;
- ii. the financial conditions of Meng Wei;
- iii. the specific economic and competitive element affecting Meng Wei, the industry and the market which the plantation base operates;
- iv. the market-derived investment returns of enterprises engaged in a similar line of business;
- v. the technical advice given by the independent plantation expert namely 內蒙古國立工程設計諮詢有限責任公司 (transliterated as Inner Mongolia Guo Li Engineering Design Consultant Co. Ltd., the “Engineer”) in September 2007 as to the suitability of the subject farmland to be used as plantation base for Kudouzi and Sunflower, the crop yielding capacity as well as the relevant development works needed to be carried out to kick start the operations of the plantation base. All these factors are relating to such features as local climate, temperature ranges, level of precipitation, soil conditions, hydrology and other relevant physical and geographic conditions of the locality where the plantation bases is situated. Since these environmental features do not normally have material change in a matter of years, these factors are considered to be less time sensitive and would not be varied during the time horizon between the date of the technical advice and the Valuation Date;
- vi. the business risk of the operations of the plantation base; and
- vii. the financial statements and the past and projected operating results of Meng Wei.

In view of the general environment and the particular situation in which Meng Wei is operating, the following assumptions have been adopted in our appraisal in order to sufficiently support our concluded value:

- i. there will be no major change in the existing political, legal and economic conditions in the PRC;
- ii. save for those proposed changes on taxation policies announced by the Tax Bureau of the PRC, there will be no major change in the current taxation law and tax rates as prevailing and that all applicable laws and regulations on taxation will be complied with by Meng Wei;
- iii. the interest rates and exchange rates will not differ materially from those presently prevailing;
- iv. the availability of finance will not be a constraint on the forecast growth of Meng Wei’s operations;

- v. as part of our analysis, we have reviewed financial and business information from public sources together with such financial information, management representation, project documentation and other pertinent data concerning the project made available to us during the course of our valuation. We have assumed the accuracy of, and have relied on the information and management representations provided in arriving at our opinion of value;
- vi. the production facilities, systems and the technology utilized by Meng Wei do not infringe any relevant regulations and law;
- vii. Meng Wei has or shall have no legal impediment to obtained all necessary permits and approvals to carry out the plantation business operations in the PRC;
- viii. Meng Wei will secure and retain competent management, key personnel, marketing and technical staff to carry out and support its plantation business operations;
- ix. Meng Wei or its subsidiaries are free from any loan, debt, liabilities and payables; and
- x. the estimated fair value does not include consideration of any extraordinary financing or income guarantees, special tax considerations or any other atypical benefits which may influence the market value.

VALUATION METHODOLOGY

In our appraisal, the Market Approach has been adopted. In this approach, the fair value is based on prices at which equities of similar companies are being traded on the market. A value measure is usually a multiple computed by dividing the price of the comparable companies' shares by their relevant economic variables such as earnings, revenue, net book value and etc. The following 10 comparables listing companies have been identified and selected for comparison:

No.	Company	Ticker	Business Operations
1	Asiatic Development Berhad	ASP	The company is Malaysia-based investment holding and management company. The Company, along with its subsidiaries, is engaged in the plantation and property development. Asiatic Development Berhad operates in two business segments: plantation, which comprises mainly activities relating to oil palm plantations, and property, which comprises mainly activities relating to property development and the operation of a golf course. For the year ended 2007, over 93% of its revenue was contributed from plantation segment.

No.	Company	Ticker	Business Operations
2	United Plantation Berhad	UPL	The company is a Malaysia-based company and is engaged in the businesses of oil palm cultivation in Indonesia, refining of palm oil, manufacturing edible oils, fats, soap products, cocoa butter substitute and trading in crude palm oil and palm kernel products, cocoa butter substitute and trading in crude palm oil and palm kernel products; shipping and forwarding of vegetable oil and molasses and provision of management services; handling and storage of vegetable oil and molasses. For the year ended 2007, over 99% of its revenue was contributed from plantation and palm oil segment.
3	IJM Plantations Berhad	IJMP	The company is a Malaysia-based company engaged in the cultivation of oil palm, operations of palm oil mills, investment holding and provision of management services to the subsidiaries. For the year ended March 2008, 100% of its revenue was contributed from plantation and palm oil segment.
4	Hap Seng Plantations Holdings Berhad	HAPL	The company is a Malaysia-based investment holding company that carries out marketing and trading activities for its subsidiaries. The Company's subsidiaries include Jeroco Plantation Sdn Bhd and Hap Seng Plantations (River Estates) Sdn Bhd, both engaged in the cultivation of palm oil and processing of fresh fruit bunches (FFB), and Hap Seng Plantations (Wecan) Sdn Bhd, Hap Seng Plantations (Tampilit) Sdn Bhd and Hap Seng Plantations (Ledang Kawa) Sdn Bhd, all engaged in the cultivation of oil palm. It operates its plantations on one contiguous block of land of approximately 36,354 hectares located between Lahad Datu and Sandakan, in addition to a smaller plantation in Tawau measuring 1,276 hectares. For the year ended 2007, all of its revenue was contributed from plantation segment.
5	Kwantas Corporation Berhad	KWAN	The company is an investment holding company with principal activities of the subsidiaries are the operation of oil palm plantations, palm oil mills, kernel crushing plant, palm oil refinery and shortening plants, a biomass power plant, bulking installation and trading of palm oils and fats products. Other activities include the wholesaling and supply of diesel and lubricants, trading of refined soya bean oil and the operation of a stone and gravel quarry. For the year ended June 2008, over 99% of its revenue was contributed from plantation and palm oil segment.

No.	Company	Ticker	Business Operations
6	United Malacca Berhad	UMR	The company is a Malaysia-based and is engaged in cultivation of oil palms and investment holding. The Company's business segments include plantation, which includes cultivation of oil palms and palm oil milling; investment holding, and property development, which includes development of residential and commercial properties. For year ended April 2008, over 90% of its revenue was contributed from plantation segment.
7	Golden Agri-Resources Ltd.	GGR	The company is a Singapore-based investment holding company. The Company, through its wholly owned subsidiaries, is engaged in trading in crude palm oil and related products, treasury management and provision of management and consultancy services. The Company operates in two divisions: Indonesia Agri-business and China Agri-business. The activities of Indonesia Agri-business include ownership and cultivation of oil palm plantation, ownership and operation of mills and refineries and producer of consumer cooking oil and margarine in Indonesia.
8	PT Astra Agro Lestari Tbk	AALI	The company is an Indonesia-based plantation company with principal activities of operation of oil palm, rubber and cocoa plantations, general trading, manufacturing, transportations, consultation and related services. Its 4,032-hectare oil palm and 67-hectare rubber plantations are located in South Kalimantan and the cooking oil factory is located in North Sumatera. The Company and its subsidiaries' mills have effective production capacities of 865 tons of fruit bunches per hour and 19.3 tons of rubber, 300 tons of crude palm oil and 600 tons kernel per day. The subsidiaries' plantations and mills are located in Java, Sumatera, Kalimantan and Sulawesi. Astra Agro Lestari is headquartered in Jakarta, Indonesia.
9	PT Perusahaan Perkebunan London Sumatra Indonesia Tbk	LSIP	The company is an Indonesia-based plantation company. It is engaged in the planting and developing palm oil, rubber, cocoa, coconut, tea, coffee and seeds. The Company operates mature and immature plantations with total areas of 69,429 hectares and 20,553 hectares, respectively, in North Sumatra, South Sumatra, Java, East Kalimantan, North Sulawesi and South Sulawesi. In addition, the Company develops plasma plantations on behalf of local smallholders.

No.	Company	Ticker	Business Operations
10	PT Bakrie Sumatera Plantation Tbk	UNSP	The company is an Indonesia-based agribusiness company. It is engaged in farming, processing and marketing of agriculture products. The Company's subsidiaries include PT Bakrie Pasaman Plantations and PT Agrowiyana, which operate palm oil plantations in West Sumatera and Jambi province; PT Agro Mitra Madani, which operate palm oil processing facilities; PT Huma Indah Mekar, which operates rubber trees plantation and processing facility in Lampung, and BSP Finance BV, which is engaged in the financial sector. The Company is headquartered in Kisaran, Indonesia. For year ended 2007, all of its revenue was contributed from plantation segment.

In or about February 2005, a renewable energy law had been enacted in the PRC and became effective from 1 January 2006. The renewable energy law induces a national energy policy which encourages and supports the use of wind, hydro, solar, bio-mass, and other forms of renewable energy. The target is to have 10.0% of primary energy generated from renewable resource by 2010 and 15.0% by 2020. Because of this new law, bio fuels are making inroads in the PRC and accelerating the development of bio fuels and energy crops, which include the PRC's aggressive undertaking to invest in the development of new oil crop plantations in Indonesia.

The European Union is also leading the move towards the use of biodiesel, requiring it to account for up to 5.8% of the energy content of all transportation fuels in EU countries by 2010 and 20.0% by 2020. The United States has granted federal tax incentives that are expected to increase bio-diesel demand by four fold by 2012.

With crude oil prices dramatically lower than they were just half a year ago, the global bio fuel industry is getting squeezed. A lot of processing plants of bio fuel producer can be seen idle. Crude oil prices have fallen by two-thirds since reaching an all time high of US\$147/bbl in July as concerns about a sharp slowdown in energy demand continued. Many market participants of bio fuel industry suggested that the oil prices have dipped to levels that could be far too low for many bio fuel startups to succeed. Tight credit markets will also make it difficult for advanced bio fuel companies to move ahead with plans for scaling up technologies and building commercial scale production plants.

As the products involved in this sector are generic in nature, the trading prices of oilseeds in the PRC virtually mirror the global commodity prices.

In this regards, we consider that it is fair and reasonable to make comparison with other companies participating in the same trade even though their plantation fields are based outside the PRC.

Among various price multiples and given the similarity of cost structures of plantation business operators, the Enterprise Value to Revenue (EV-to-Revenue) multiples are chosen for comparison and assessing the fair value of the common shares of Meng Wei because the multiple takes into account the debts of a firm which an acquirer will have to assume and into account and it ignores the distorting effects of individual countries' taxation policies as well as the firms depreciation policies. Enterprise Value is defined herein as market capitalization plus debts, minority interest and preferred shares minus total cash and cash equivalents.

No. Company	Ticker	Country	Last Price as at Val Date	EV-to-Revenue	No. of standard derivation from mean
1 Asiatic Development Berhad	ASP	Malaysia	3.26	1,983.43/906.41 = 2.19	0.04
2 United Plantation Berhad	UPL	Malaysia	9.85	2,042.23/674.19 = 3.03	0.60
3 IJM Plantations Berhad	IJMP	Malaysia	1.85	1,156.41/478.03 = 2.42	0.20
4 Hap Seng Plantations Holdings Berhad	HAPL	Malaysia	1.56	1,248.70/216.59 = 5.77	2.43
5 Kwantas Corporation Berhad	KWAN	Malaysia	1.88	1,205.08/3,452.16 = 0.35	-1.19
6 United Malacca Berhad	UMR	Malaysia	5.45	385.32/216.34 = 1.78	-0.23
7 Golden Agri-Resources Ltd.	GGR	Singapore	0.23	2,692.05/1,873.35 = 1.44	-0.46
8 PT Astra Agro Lestari Tbk	AALI	Indonesia	8,450	12,440,632/5,960,954 = 2.09	-0.02
9 PT Perusahaan Perkebunan London Sumatra Indonesia Tbk	LSIP	Indonesia	2,725	3,959,528.75/2,900,835 = 1.36	-0.51
10 PT Bakrie Sumatera Plantation Tbk	UNSP	Indonesia	245	1,602,310.15/1,949,018.0 = 0.82	-0.87
Sample Mean				2.12	
Standard Derivation				1.4975	
Mean (excluding companies with multiples more than 1 standard derivation from the sample mean)				1.89	

Source: Bloomberg

Given the mean and the standard derivation of the sample, the multiples of comparable nos. 4 and 5 are more than 1 standard derivation from the sample mean and are excluded from our comparison. After taking out comparable nos. 4 and 5, the expected EV-to-Revenue multiple applicable to Meng Wei is 1.89.

Given the expected total output of Kudouzi and Sunflower Seed of 0.28 to 0.29 ton per mu of farmland and trailing trading prices of RMB5,500/ton and RMB3,700/ton, the revenue that can be generated from the plantation base for the first year of production is approximately RMB114,000,000.

With the expected EV-to-Revenue multiple applicable to Meng Wei of 1.89 and an expected revenue of approximately RMB114,000,000 the fair value of the Enterprise Value of Meng Wei is approximately RMB215,000,000. The fair value of the Shareholders' Equity of Meng Wei is then arrived at by allowing the estimated start up cost of RMB27,000,000.

CONCLUSION OF VALUE

Based upon the investigation and analysis outline above, our valuation basis, valuation assumptions and the appraisal method employed, it is our opinion that as of **30 November 2008**, the Fair Value of 100% Shareholders' Equity of Meng Wei is reasonably represented by the sum of **RMB188,000,000.-** (**RENMINBI YUAN ONE HUNDRED AND EIGHTY EIGHT MILLION ONLY**).

This conclusion of value was based on generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

We have not investigated the title to or any liabilities against the asset appraised.

Yours faithfully,
For and on behalf of
Asset Appraisal Limited
Tse Wai Leung
BSc CFA MRICS MHKIS RPS(GP)
Director

Tse Wai Leung is a member of the Royal Institution of Chartered Surveyors (RICS), the Hong Kong Institute of Surveyors (HKIS), a Registered Professional Surveyor in General Practice and a holder of Chartered Financial Analyst. He is on the list of Property Valuers for Undertaking Valuations for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers of the Hong Kong Institute of Surveyors, Registered Business Valuer under the Hong Kong Business Forum and has over 10 year's experience in valuation of businesses and assets in Hong Kong, in Macau and in the PRC.

The following is the text of a letter, summary of value and valuation certificate, prepared for the purpose of incorporation in this circular received from Asset Appraisal Limited, an independent valuer, in connection with its valuation as at 30 November 2008 of the property of the PRC Subsidiary.



Asset Appraisal Limited
資產評值顧問有限公司

Add Rm 802 8/F On Hong Commercial Building
145 Hennessy Road Wanchai Hong Kong
地址: 香港灣仔軒尼詩道145號安康商業大廈8樓802室
Tel: (852) 2529 9448
Fax: (852) 3521 9591

12 February 2009

The Board of Directors

Wing Hing International (Holdings) Limited

14th Floor
Yau Lee Centre
45 Hoi Yuen Road
Kwun Tong
Kowloon
Hong Kong

Dear Sirs,

Re: Valuation of property situated in the People's Republic of China (the "property")

In accordance with the instruction from Wing Hing International Holdings Limited (the "Company") to value the property interests held by **Inner Mongolia Meng Wei Biodiesel and Environmental Protection Products Company Limited** (the "Meng Wei") and its subsidiaries (altogether referred to as the "Target Group") situated in the People's Republic of China (the "PRC"), we confirm that we have carried out inspections of the property, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property as at **30 November 2008** (the "date of valuation").

BASIS OF VALUATION

Our valuation of the property represents the market value which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion".

TITLESHIP

We been provided with copies of legal documents regarding the property. However, we have not verified ownership of the properties and the existence of any encumbrances that would affect ownership of them.

We have also relied upon the legal opinion provided by the PRC legal advisers, namely Hills & Co Law Firm (君道律師事務所), a qualified law firm in the PRC (the “PRC Legal Opinion”), to the Company on the relevant laws and regulations in the PRC, on the nature of land use rights in the property. According to the PRC Legal Opinion, there is no legal impediment for Meng Wei to obtain the land use rights in the property from Inner Mongolia Sophora Investment Company Limited under the relevant PRC laws and regulations.

VALUATION METHODOLOGY

The property is valued by the comparison method where comparison based on prices realised or market prices of comparable properties is made. Comparable properties of similar size, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of capital values.

For the property of which the land use rights are in the nature of collectively-owned, our valuation of the property has reflected the land costs by which the property was acquired by Meng Wei.

ASSUMPTIONS

Our valuation has been made on the assumption that the owners sell the property on the market without the benefit of deferred terms contracts, leaseback, joint ventures, management agreements or any similar arrangement which would serve to affect the value of the property.

As the property is held by the owner by means of long term Land Use Rights granted by the Government, we have assumed that the owner has free and uninterrupted rights to use the property for the whole of the unexpired term of its land use rights.

Other special assumptions for our valuation (if any) would be stated out in the footnotes of the valuation certificate attached herewith.

LIMITING CONDITIONS

No allowance has been made in our report for any charges, mortgages or amounts owing on the property nor for any expenses or taxation which may be incurred in effecting a sale. It is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature, which could affect its value. Our valuation have been made on the assumption that the seller sells the property on the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the property.

We have relied to a very considerable extent on the information given by the Company and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have not carried out detailed site measurements to verify the correctness of the site areas in respect of the property but have assumed that the site areas shown on the documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also sought confirmation from the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

In valuing the properties, we have complied with all the requirements contained in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the HKIS Valuation Standards on Properties (First Edition 2005) published by The Hong Kong Institute of Surveyors effective from 1st January 2005.

Unless otherwise stated, all monetary sums stated in this report are in Renminbi (RMB).

Our valuation certificate is attached herewith.

Yours faithfully,
for and on behalf of
Asset Appraisal Limited
Tse Wai Leung
BSc CFA MRICS MHKIS RPS(GP)
Director

Tse Wai Leung is a member of the Royal Institution of Chartered Surveyors (RICS), the Hong Kong Institute of Surveyors (HKIS), a Registered Professional Surveyor in General Practice and a holder of Chartered Financial Analyst. He is on the list of Property Valuers for Undertaking Valuations for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers of the Hong Kong Institute of Surveyors, Registered Business Valuer under the Hong Kong Business Forum and has over 10 year's experience in valuation of businesses and assets in Hong Kong, in Macau and in the PRC.

VALUATION CERTIFICATE

Properties held by the Target Group for self occupation

Property	Description and tenure	Particulars of occupancy	Market Value as at 30 November 2008 RMB
Three parcels of cultivation ground situated at the south of Ji Ba Highway Da Qi Wu Lan Xiang Wu Lan Cun Inner Mongolia Autonomous Region the PRC	The property comprises three contiguous parcels of agricultural land and is designated as a plantation base for planting Sunflower and oil crops, Ricinus Communis L., Kudouzi (Sophora Alopecuroides). The agricultural land covers a total land area of 82,040 mus (54.69 square kilometers). The property is held under three Collectively-owned Land Use Certificate for a term expiring on 31 December 2049.	The property is occupied by the Target Group as a herb and oil crop plantation base.	184,000,000 55% interest attributable to the Target Group: 101,200,000

Notes:

- As stated in a Collectively-owned Land Use Certificate (集體土地使用証) (Ref Nos.Da Ji Yong (2000) Zhi 00002) dated 8 May 2000, the undertaking operation rights (承包經營權) of an agricultural land with an area of 33,800 mus (22.53 sq.km.) of which 32,000 mus (21.33 sq.km.) is attributable to the property are held by Inner Mongolia Sophora Investment Company Limited (內蒙古苦豆籽投資有限公司) for a land use right term expiring on 31 December 2049. The land parcel is situated at Pu Ge Bu Village Ji Ba Xian Nan (蒲圪卜村吉巴線南).
- As stated in another Collectively-owned Land Use Certificate (集體土地使用証) (Ref Nos.Da Ji Yong (2000) Zhi 00004) dated 8 May 2000, the undertaking operation rights (承包經營權) of another portion of the property with an area of 3,040 mus (2.03 sq.km.) are held by Inner Mongolia Sophora Investment Company Limited for a land use right term expiring on 31 December 2049. The land parcel is situated at Xin Sheng Village Bu Se Tai Gou Dong (新勝村卜色太溝東).

3. As stated in another Collectively-owned Land Use Certificate (集體土地使用証) (Ref Nos.Da Ji Yong (2000) Zhi 00005) dated 8 May 2000, the undertaking operation rights (承包經營權) the remaining portion of the property with an area of 47,000 mus (31.33 sq.km.) are held by Inner Mongolia Sophora Investment Company Limited for a land use right term expiring on 31 December 2049. The land parcel is situated at Xin Ge Dan Village Nan Leng Pan (新圪旦村南楞畔).
4. As confirmed by the Company, the undertaking operation rights in the property have been transferred from Inner Mongolia Sophora Investment Company Limited to Meng Wei and both parties have applied to the Land Administration Bureau for the land transfer and for new Land Use Right Certificate(s) in the name of Meng Wei.
5. Meng Wei is a Sino-foreign joint venture enterprises established by Inner Mongolia Sophora Investment Company Limited (45%) and Asia Biodiesel and Renewable Energy (Mongolia) Company Limited (55%), a directly wholly-owned subsidiary of Farrell Global Limited (the Target).
6. As the land in the property are in the nature of collectively-owned, our valuation of the property has reflected the land costs by which the property was acquired by Meng Wei. Given the total land costs of HK\$194,284,840 (RMB182,627,750) and a total land area of 82,040 mus (54.69 sq.km.), the costs is translated into an unit cost of approximately RMB2,230/mu of land area. This land cost is in line with market price of concession rights in agricultural land in the PRC.
7. Opinion of the PRC Lawyer on the property is summarized as follows:
 - 7.1 Meng Wei has been granted all necessary and valid permit, approval, registration status and consent for operating and developing Kudouzi products and feedstock for biodiesel. Such approval and consent have been granted by legitimate authorities without violating any Government policies for restricting overseas investors from participating in certain industries. No legal impediment is found for the continuation of the business operations by Meng Wei under the existing situation.
 - 7.2 Meng Wei is a Sino-foreign cooperating joint venture established by Inner Mongolia Sophora Investment Company Limited (Party A) and Asia Biodiesel and Renewable Energy (Mongolia) Company Limited (Party B) via a joint venture contract dated 5 August 2007 and its incorporation was approved by the Municipal Government of Inner Mongolia via a Joint Venture Enterprise Approval (Ref No. 商外資蒙呼如審字20070113號, transliterated as Shang Wai Zi Meng Hu Ru Shen Zhi 20070113) dated 23 October 2007 with an operating period of 30 years from the issue date of Business Licence (Ref No. 150100400000380) i.e. 30 October 2007.
 - 7.3 The registered capital of Meng Wei is US\$29.95 million. Party A would inject a parcel of land with an area of 50,040 mus of land as its 45% contribution to the capital and Party B would inject a cash amount of US\$16.4725 million as its 55% contribution to the capital of Meng Wei. Up to 31 December 2007, Party B has injected a total cash amount of US\$11.54 million to Meng Wei.
 - 7.4 The Land Undertaking Operation Rights (土地承包經營權) in the land parcel mentioned in note 7.3 are currently held by Party A via two Collective Land Use Right Certificates (ref nos. 達集用(2000)字第00004號, transliterated as Da Ji Yong (2000) Zhi No. 00004 and 達集用(2000)字第00005號, transliterated as Da Ji Yong (2000) Zhi No. 00005) for a term expiring on 31 December 2049. The permitted use of the Land Undertaking Operation Rights is agriculture (Kudouzi plantation base).
 - 7.5 The Land Undertaking Operation Rights in the remaining portion of the property with an area of 32,000 mus are currently held by Party A via another Collective Land Use Right Certificate (達集用(2000)字第00002號, transliterated as Da Ji Yong (2000) Zhi No. 00002). The permitted use of the Land Undertaking Operation Rights is agriculture (Kudouzi plantation base).

- 7.6 Pursuant to Land Use Right Transfer Contract (土地使用權出讓合同) dated 31 December 2007 between Party A and Meng Wei, Party A agreed to transfer its Land Undertaking Operation Rights in the land parcel mentioned in note 7.5 to Meng Wei at a consideration of RMB84,154,000. Such purchase price has been settled by Meng Wei in full. The completion of the land transfer is subject to the completion of land transfer procedures and registration by Party A. Party A agreed to return the total land purchase price to Meng Wei should the land transfer procedures and registration cannot be completed within a period of 120 days. As at the Latest Practicable Date, the land transfer procedures and registration had not been completed. Party A and Meng Wei entered into a supplemental agreement on 19 February 2008 to extend the period for the transfer procedures and registration from 120 days to two years.
- 7.7 As the Land Undertaking Operation Rights in the aforesaid land parcels have been legally acquired by Party A, the transfer of the rights by Party A to Meng Wei mentioned in note 7.3 and 7.6 are permitted. Party A have submitted relevant application to the Municipal Government of Ordos City Inner Mongolia for the land transfers and upon obtaining Collective Land Use Certificate from the Government, Meng Wei shall be the legitimate holder of the Land Undertaking Operation Rights in the property. The rights can then be allowed to be assigned, leased, capitalized, charged or circulated in any other manners.
- 7.8 Up to the date of the PRC Legal Opinion, the Land Undertaking Operation Rights in the property were free from any third parties' rights, liabilities and encumbrances.

PROPERTY VALUE RECONCILIATION

Property	Three parcels of cultivation ground situated at the south of Ji Ba Highway, Da Qi, Wu Lan Xiang, Wu Lan Cun, Inner Mongolia Autonomous Region, the PRC
Carrying value as at 30 September 2008 (<i>Note 1</i>)	HK\$187,346,000
Amortization for the 2 months ended 30 November 2008 (<i>Note 2</i>)	HK\$(771,000)
Carrying value as at 30 November 2008 (<i>Note 3</i>)	HK\$186,575,000
Revaluation Surplus of property interest (<i>Note 4</i>)	HK\$22,025,224
Market Value of property interest as at 30 November 2008 (<i>Note 5</i>)	HK\$208,600,224

Notes:—

1. extracted from note 16 to the consolidated balance sheet of the Group as at 30 September 2008 as set out in Appendix III to this circular.
2. extracted from the management accounts of the Group for the period ended 30 November 2008
3. extracted from the management accounts of the Group for the period ended 30 November 2008
4. pursuant to the revaluation of the properties (see Appendix II to this prospectus). Such revaluation surplus will not be recorded in the Group's financial statements as the Group's prepaid lease payments are stated at cost less accumulated amortization and currency realignment (if any)
5. extracted from property valuation report as at 30 November 2008 as set out in Appendix II to this circular. The assessed property value is converted from Renminbi into Hong Kong Dollars at an exchange rate of HK\$1 to RMB0.88207

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, received from the auditors of the Company, HLB Hodgson Impey Cheng, Chartered Accountants, Certified Public Accountants, Hong Kong.



Chartered Accountants
Certified Public Accountants

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

12 February 2009

The Board of Directors
Wing Hing International (Holdings) Limited
14th Floor
Yau Lee Centre
45 Hoi Yuen Road
Kowloon
Hong Kong

Dear Sirs,

We set out below our report on the financial information (the “Financial Information”) regarding Wing Hing International (Holdings) Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) for each of the three years ended 31 March 2006, 2007 and 2008 and the six months ended 30 September 2008 (the “Relevant Periods”), for inclusion in the circular dated 12 February 2009 (the “Circular”) issued by the Company in connection with the very substantial disposal and connected transaction whereby the Company proposes to dispose of the Sale Shares and the Sale Loan (both terms as defined in the Circular) to Ms. Liu Pui Lan.

The Company was incorporated on 10 July 1995 in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda. The Company is an investment holding company.

As at the date of this report, the Company has the following subsidiaries:

Name of subsidiary	Form of business structure, place and date of incorporation/ registration	Issued and fully paid share capital	Equity interests attributable to the Company	Principal activities
CWS International Trading Limited (Note (ii))	Limited liability company incorporated in BVI on 17 January 1996	Ordinary US\$10	100% (Direct)	Investment holding
Bless Luck International Limited (Note (ii))	Limited liabilities company incorporated in BVI on 6 February 2008	Ordinary US\$1	100% (Direct)	Investment holding
Asian Time Development Limited (Note (ii))	Limited liability company incorporated in Hong Kong on 20 May 2008	Ordinary HK\$1	100% (Direct)	Investment holding
Club Ace Holdings Limited (Note (ii))	Limited liability company incorporated in BVI on 1 February 2008	Ordinary US\$1	100% (Direct)	Investment holding
W. Hing Construction Company Limited (Note (iii))	Limited liability company incorporated in Hong Kong on 15 December 1989	Ordinary HK\$102,300,100 Deferred HK\$2,380,000 (Note (i))	100% (Indirect)	Superstructure construction
CWF Piling & Civil Engineering Company Limited (Note (iii))	Limited liability company incorporated in Hong Kong on 28 March 1972	Ordinary HK\$48,500,000 Deferred HK\$1,500,000 (Note (i))	100% (Indirect)	Foundation piling
W H China (Holdings) Limited (Note (iii))	Limited liability company incorporated in Hong Kong on 14 May 1996	Ordinary HK\$2	100% (Indirect)	Investment holding
W H Interior Design and Contracting Company Limited (Note (iii))	Limited liability company incorporated in Hong Kong on 7 April 1998	Ordinary HK\$2	100% (Indirect)	Interior decoration
JCL Engineering Limited (Note (iii))	Limited liability company incorporated in Hong Kong on 25 September 1998	Ordinary HK\$10,000	91% (Indirect)	Environmental engineering

Name of subsidiary	Form of business structure, place and date of incorporation/ registration	Issued and fully paid share capital	Equity interests attributable to the Company	Principal activities
CSP (HK) Limited (Note (iii))	Limited liability company incorporated in Hong Kong on 26 May 1999	Ordinary HK\$10	100% (Indirect)	Investment holding
TCL Piling Specialist Limited (Note (iii))	Limited liability company incorporated in Hong Kong on 2 August 1999	Ordinary HK\$1,920,002	100% (Indirect)	Foundation piling
Farrell Global Limited (Note (ii))	Limited liability company incorporated in BVI on 17 August 2008	Ordinary US\$1	100% (Indirect)	Investment holding
Asia Biodiesel and Renewable Energy (Mongolia) Company Limited (Note (ii))	Limited liability company incorporated in Hong Kong on 11 January 2007	Ordinary HK\$1	100% (Indirect)	Investment holding
內蒙古蒙威生物油環保製品有限公司 (Transliterated as Inner Mongolia Meng Wei Biodiesel and Environmental Protection Products Company Limited)	Sino-foreign co-operative joint venture established in PRC on 30 October 2007	Registered Capital US\$25,017,500	55% (Indirect)	Development and management of a series of sophora products and of biological vegetable oil

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 the date of this report, all these deferred shares were owned by Club Ace Holdings Limited.
- (ii) No audited financial statements have been prepared for these companies which were incorporated in a jurisdiction where there were no statutory audit requirements. No audited financial statements have been prepared for Asian Time Development Limited and Asia Biodiesel and Renewable Energy (Mongolia) Company Limited since its date of incorporation because it is newly incorporated.
- (iii) We have acted as auditors of these companies for each of the three years ended 31 March 2006, 2007 and 2008. The statutory financial statements of these companies for each of the three years ended 31 March 2006, 2007 and 2008 were prepared in accordance with accounting principles generally accepted in Hong Kong.

We have acted as auditors of the Company for each of the Relevant Periods. Audited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong for each of the three years ended 31 March 2006, 2007 and 2008. For the purpose of this report, we have carried out independent audit procedures in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) on the consolidated financial statements of the Group for the six months ended 30 September 2007 and 2008, which were prepared in accordance with accounting principles generally accepted in Hong Kong.

We have examined the audited consolidated financial statements (the “Underlying Financial Statements”) of the Group for the Relevant Periods. Our examination was made in accordance with Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” as recommended by the HKICPA.

The consolidated income statements, consolidated cash flow statements and consolidated statements of changes in equity of the Group for each of the Relevant Periods and consolidated balance sheets as at 31 March 2006, 2007 and 2008 and 30 September 2008 as set out in this report have been prepared based on the Underlying Financial Statements for the Relevant Periods for the purpose of preparing our report for inclusion in the Circular.

The Underlying Financial Statements are the responsibility of the directors of the Company who approve their issue. The directors of the Company are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information together with the notes thereon gives, for the purpose of this report, a true and fair view of the state of affairs of the Group as at 31 March 2006, 2007 and 2008 and 30 September 2008 and of the consolidated results and cash flows of the Group for each of the three years ended 31 March 2006, 2007 and 2008 and the six months ended 30 September 2007 and 2008.

I. FINANCIAL INFORMATION

Consolidated income statements

		Year ended 31 March 2006	Year ended 31 March 2007	Year ended 31 March 2008	Period ended 30 September 2007	Period ended 30 September 2008
	Notes	HK\$'000 (Audited)	HK\$'000 (Audited)	HK\$'000 (Audited)	HK\$'000 (Audited)	HK\$'000 (Audited)
Revenue	5	494,445	480,292	513,387	327,015	285,734
Cost of sales		<u>(490,730)</u>	<u>(425,548)</u>	<u>(490,108)</u>	<u>(305,837)</u>	<u>(304,147)</u>
Gross profit/(loss)		3,715	54,744	23,279	21,178	(18,413)
Other income	7	13,294	43,829	8,735	7,934	4,421
Other gains and losses	8	4,889	5,713	(5,642)	1,497	72,105
Administrative and operating expenses		(42,019)	(68,816)	(34,919)	(15,543)	(16,323)
Share of profits/ (losses) of associates		(413)	(3,497)	21,484	(768)	156
Share of profits/(losses) of jointly-controlled entities		800	(19,467)	(4,847)	(4,283)	(24,539)
Finance costs	9	<u>(890)</u>	<u>(1,007)</u>	<u>(484)</u>	<u>(143)</u>	<u>(2,039)</u>
Profit/(Loss) before tax		(20,624)	11,499	7,606	9,872	15,368
Income tax expense	10	<u>(369)</u>	<u>(734)</u>	<u>(1,585)</u>	<u>170</u>	<u>–</u>
Profit/(Loss) for the year/period	11	<u><u>(20,993)</u></u>	<u><u>10,765</u></u>	<u><u>6,021</u></u>	<u><u>10,042</u></u>	<u><u>15,368</u></u>
Attributable to:						
Equity holders of the Company		(22,336)	9,519	8,104	10,041	16,409
Minority interests		<u>1,343</u>	<u>1,246</u>	<u>(2,083)</u>	<u>1</u>	<u>(1,041)</u>
		<u><u>(20,993)</u></u>	<u><u>10,765</u></u>	<u><u>6,021</u></u>	<u><u>10,042</u></u>	<u><u>15,368</u></u>
Earnings/(Loss) per share						
Basic and diluted (HK cents per share)	14	<u><u>(63.46)</u></u>	<u><u>18.97</u></u>	<u><u>14.74</u></u>	<u><u>18.49</u></u>	<u><u>22.82</u></u>

Consolidated balance sheets

		As at 31 March 2006 HK\$'000 (Audited)	As at 31 March 2007 HK\$'000 (Audited)	As at 31 March 2008 HK\$'000 (Audited)	As at 30 September 2008 HK\$'000 (Audited)
	Notes				
Non-current assets					
Property, plant and equipment	15	23,997	21,198	16,594	4,209
Prepaid lease payments	16	692	675	190,318	187,346
Investment property	17	4,400	4,800	6,500	–
Goodwill	18	2,308	1,943	89,829	89,829
Interests in associates	19	17,704	21,039	22,253	–
Interests in jointly-controlled entities	20	37,621	9,309	14,792	(24,159)
Available-for-sale investment	21	1	1	1	–
Amount due from an investee entity	21	13,164	16,604	53,796	–
Contract retention receivables	24	3,963	2,154	10,484	17,991
Deferred tax assets	22	112	104	189	189
		<u>103,962</u>	<u>77,827</u>	<u>404,756</u>	<u>275,405</u>
Current assets					
Loan receivable	23	–	–	1,000	1,000
Promissory note receivables	28	–	–	–	80,593
Trade and other receivables	24	128,251	122,344	98,496	162,735
Pledged bank deposits	25	20,944	16,675	21,860	24,045
Bank balances and cash	25	18,465	33,742	58,619	41,736
		<u>167,660</u>	<u>172,761</u>	<u>179,975</u>	<u>310,109</u>
Current liabilities					
Trade and other payables	26	114,729	81,494	179,217	158,295
Bank borrowings, secured	27	15,602	846	–	–
Current tax liabilities		657	–	669	–
		<u>130,988</u>	<u>82,340</u>	<u>179,886</u>	<u>158,295</u>

		As at 31 March 2006 HK\$'000 (Audited)	As at 31 March 2007 HK\$'000 (Audited)	As at 31 March 2008 HK\$'000 (Audited)	As at 30 September 2008 HK\$'000 (Audited)
	Notes				
Net current assets		36,672	90,421	89	151,814
Total assets less current liabilities		<u>140,634</u>	<u>168,248</u>	<u>404,845</u>	<u>427,219</u>
Capital and reserves					
Share capital	29	36,200	54,300	69,000	79,860
Reserves		<u>95,235</u>	<u>106,511</u>	<u>132,075</u>	<u>144,054</u>
Equity attributable to the equity holders of the Company		131,435	160,811	201,075	223,914
Minority interests		<u>5,087</u>	<u>2,951</u>	<u>103,003</u>	<u>101,962</u>
Total equity		<u>136,522</u>	<u>163,762</u>	<u>304,078</u>	<u>325,876</u>
Non-current liabilities					
Deferred tax liabilities	22	609	1,828	2,487	1,081
Bank borrowings, secured	27	3,503	2,658	–	–
Promissory note payable	28	<u>–</u>	<u>–</u>	<u>98,280</u>	<u>100,262</u>
		<u>4,112</u>	<u>4,486</u>	<u>100,767</u>	<u>101,343</u>
		<u>140,634</u>	<u>168,248</u>	<u>404,845</u>	<u>427,219</u>

Consolidated cash flow statements

	Year ended 31 March 2006	Year ended 31 March 2007	Year ended 31 March 2008	Period ended 30 September 2007	Period ended 30 September 2008
<i>Notes</i>	<i>HK\$'000</i> (Audited)	<i>HK\$'000</i> (Audited)	<i>HK\$'000</i> (Audited)	<i>HK\$'000</i> (Audited)	<i>HK\$'000</i> (Audited)
Operating activities					
Profit/(Loss) for the year/period	(20,993)	10,765	6,021	10,042	15,368
Adjustments for:					
Amortization of					
prepaid lease payments	17	17	4,642	8	2,313
Depreciation for property,					
plant and equipment	5,451	4,888	4,480	2,427	1,814
(Gain)/Loss on disposal					
of subsidiaries	–	(3,843)	2,791	–	(72,046)
Gain on fair value changes					
of an investment property	(400)	(400)	(1,700)	–	–
(Gain)/Loss on fair value changes of					
property, plant and equipment	58	11	5	–	–
Impairment loss recognized					
in respect of trade receivables	6,114	989	1,185	–	–
Impairment loss reversed in					
respect of trade receivables	(4,220)	(2,246)	(1,155)	–	–
Impairment loss recognized					
in respect of amounts					
due from associates	–	–	6,198	–	–
Interest income	(908)	(785)	(1,809)	(655)	(2,118)
(Gain)/Loss on disposal of					
property, plant and equipment	195	165	(1,365)	(1,497)	8
(Gain)/Loss on disposal					
of an associate	710	–	(2)	–	–
Loss on disposal of					
a jointly-controlled entity	–	111	–	–	–
Gain on early redemption					
of convertible loan note	–	–	(48)	–	–
Bad debt recovery	–	–	(19)	–	(67)
Write off of other receivables	–	–	599	–	–
Write back of long					
outstanding payables	(7,346)	(371)	(847)	–	–
Share of (profits)/losses					
of associates	413	3,497	(21,484)	768	(156)
Share of (profits)/losses of					
jointly-controlled entities	(800)	19,467	4,847	4,283	24,539
Finance costs	890	1,007	484	143	2,039
Income tax expense	369	734	1,585	(170)	–
Operating cash flows before					
movements in working capital	(20,450)	34,006	4,408	15,349	(28,306)

APPENDIX III
ACCOUNTANTS' REPORT ON THE GROUP

		Year ended 31 March 2006 HK\$'000 (Audited)	Year ended 31 March 2007 HK\$'000 (Audited)	Year ended 31 March 2008 HK\$'000 (Audited)	Period ended 30 September 2007 HK\$'000 (Audited)	Period ended 30 September 2008 HK\$'000 (Audited)
	<i>Notes</i>					
Trade receivables		19,624	6,236	2,525	(19,637)	(9,682)
Balances with						
jointly-controlled entities		9,429	(3,523)	1,435	(5,373)	(3,131)
Balances with associates		(2,503)	(2,372)	56,427	1,607	(116)
Balances with						
related companies		1,895	–	–	–	–
Balances with						
minority shareholders		(1,179)	144	(601)	–	600
Prepayments, deposits						
and other receivables		2,507	(693)	(1,844)	(1,798)	(64,120)
Trade payables		(8,006)	(10,630)	35,519	21,347	48,711
Other payables and accruals		46	(478)	954	(85)	(28,923)
Cash generated						
from/(used in) operations		1,363	22,690	98,823	11,410	(84,967)
Interest paid		(836)	(1,007)	(192)	(143)	(57)
Hong Kong Profits Tax paid		(16)	(48)	–	–	–
Net cash generated by/ (used in) operating activities		511	21,635	98,631	11,267	(85,024)
Investing activities						
Interest received		908	785	1,809	655	523
Dividends received from						
jointly-controlled entities		9,286	3,560	–	–	–
Dividends received						
from an associate		2,449	–	–	–	–
Purchase of property,						
plant and equipment		(913)	(291)	(372)	(356)	(160)
Acquisition of subsidiaries	31	(9,663)	–	(21,475)	–	–
Disposal of subsidiaries	31	–	(14,009)	(536)	–	54,915
Acquisition of associates		(850)	–	–	–	–
Amounts advanced to associates		(8,946)	–	(1,000)	(1,155)	–
Purchase of available-for-sale						
investment		(1)	–	–	–	–
Amounts advanced to						
a jointly-controlled entity		–	–	(10,330)	–	–
Amounts advanced						
to an investee entity		(13,164)	(3,440)	(37,192)	(532)	(96)

APPENDIX III
ACCOUNTANTS' REPORT ON THE GROUP

	Year ended 31 March 2006 HK\$'000 (Audited)	Year ended 31 March 2007 HK\$'000 (Audited)	Year ended 31 March 2008 HK\$'000 (Audited)	Period ended 30 September 2007 HK\$'000 (Audited)	Period ended 30 September 2008 HK\$'000 (Audited)
<i>Notes</i>					
Proceeds from disposal of property, plant and equipment	66	269	4,031	4,024	2
(Increase)/Decrease in pledged bank deposits	14,081	4,269	(5,185)	–	(2,185)
Net cash generated by/ (used in) investing activities	(6,747)	(8,857)	(70,250)	2,636	52,999
Financing activities					
Proceeds from issue of ordinary shares	–	18,100	–	–	15,142
Proceeds from bank borrowings	6,120	–	–	–	–
Repayment of bank borrowings	(195)	(801)	(3,504)	(350)	–
Proceeds from new trust receipt loans	37,379	24,363	5,960	–	–
Repayment of trust receipt loans	(27,943)	(37,479)	(5,960)	–	–
Repayment of term loan	–	(1,620)	–	–	–
Capital contributions from minority interests	608	–	–	–	–
Dividends paid to minority interests	(650)	–	–	–	–
Proceeds from issue of convertible note	–	–	15,000	15,000	–
Redemption of convertible note	–	–	(15,000)	(15,000)	–
Net cash generated by/ (used in) financing activities	15,319	2,563	(3,504)	(350)	15,142
Net increase/(decrease) in cash and cash equivalents	9,083	15,341	24,877	13,553	(16,883)
Cash and cash equivalents brought forward	9,318	18,401	33,742	33,742	58,619
Cash and cash equivalents carried forward	<u>18,401</u>	<u>33,742</u>	<u>58,619</u>	<u>47,295</u>	<u>41,736</u>
Analysis of balances of cash and cash equivalents					
Bank balances and cash	18,465	33,742	58,619	47,295	41,736
Bank overdrafts	(64)	–	–	–	–
	<u>18,401</u>	<u>33,742</u>	<u>58,619</u>	<u>47,295</u>	<u>41,736</u>

Consolidated statements of changes in equity

	Attributable to the equity holders of the Company									
	Share capital	Share premium	Contributed surplus (Note (i))	Assets revaluation reserve	Warrant reserve	Convertible loan note equity reserve	Retained profits	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
At 1 April 2005	28,750	166,405	1,781	15,611	–	672	(78,977)	134,242	4,265	138,507
Gain on fair value changes of property, plant and equipment	–	–	–	4,083	–	–	–	4,083	130	4,213
Loss on fair value changes of property, plant and equipment	–	–	–	(5)	–	–	–	(5)	(1)	(6)
Deferred tax	–	–	–	(221)	–	–	–	(221)	–	(221)
Release 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 notes	5,750	6,194	–	–	–	(672)	–	11,272	–	11,272
Capital Reduction (Note (ii))	–	(138,808)	–	–	–	–	138,808	–	–	–
Acquisition of additional interest in a subsidiary:										
– 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)
At 31 March 2006	36,200	35,491	1,781	18,488	1,000	–	38,475	131,435	5,087	136,522

APPENDIX III
ACCOUNTANTS' REPORT ON THE GROUP

	Attributable to the equity holders of the Company									
	Share capital	Share premium	Contributed surplus	Assets revaluation reserve	Warrant reserve	Convertible loan note equity reserve	Retained profits	Total	Minority interests	Total equity
	HK\$'000	HK\$'000	(Note (i)) HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Gain on fair value changes of property, plant and equipment	-	-	-	2,882	-	-	-	2,882	-	2,882
Loss on fair value changes of property, plant and equipment	-	-	-	(7)	-	-	-	(7)	-	(7)
Deferred tax	-	-	-	(1,040)	-	-	-	(1,040)	-	(1,040)
Release upon disposal of property, plant and equipment	-	-	-	(585)	-	-	585	-	-	-
Net income recognized directly in equity	-	-	-	1,250	-	-	585	1,835	-	1,835
Profit for the year	-	-	-	-	-	-	9,519	9,519	1,246	10,765
Total income and expenses recognized for the year	-	-	-	1,250	-	-	10,104	11,354	1,246	12,600
Issue of ordinary shares	18,100	-	-	-	-	-	-	18,100	-	18,100
Release on disposal of a subsidiary	-	-	-	(78)	-	-	-	(78)	(3,382)	(3,460)
At 31 March 2007	54,300	35,491	1,781	19,660	1,000	-	48,579	160,811	2,951	163,762
Gain on fair value changes of property, plant and equipment	-	-	-	2,176	-	-	-	2,176	-	2,176
Deferred tax	-	-	-	487	-	-	-	487	-	487
Release upon disposal of property, plant and equipment	-	-	-	(4,849)	-	-	4,849	-	-	-
Net income recognized directly in equity	-	-	-	(2,186)	-	-	4,849	2,663	-	2,663
Profit for the year	-	-	-	-	-	-	8,104	8,104	(2,083)	6,021
Total income and expenses recognized for the year	-	-	-	(2,186)	-	-	12,953	10,767	(2,083)	8,684

APPENDIX III
ACCOUNTANTS' REPORT ON THE GROUP

	Attributable to the equity holders of the Company									
	Share capital	Share premium	Contributed surplus	Assets revaluation reserve	Warrant reserve	Convertible loan note equity reserve	Retained profits	Total	Minority interests	Total equity
	HK\$'000	HK\$'000	(Note (i)) HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Recognition of equity component of convertible loan note	-	-	-	-	-	1,653	-	1,653	-	1,653
Early redemption of convertible loan note	-	-	-	-	-	(1,653)	244	(1,409)	-	(1,409)
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	105,086	105,086
Shares issued on acquisition of subsidiaries	14,700	14,553	-	-	-	-	-	29,253	-	29,253
Release upon disposal of a subsidiary	-	-	-	-	-	-	-	-	(2,951)	(2,951)
At 31 March 2008	69,000	50,044	1,781	17,474	1,000	-	61,776	201,075	103,003	304,078
Issue of ordinary shares	10,860	4,282	-	-	-	-	-	15,142	-	15,142
Release of reserve upon warrant expiry	-	-	-	-	(1,000)	-	1,000	-	-	-
Release of reserve upon disposal of subsidiaries	-	-	(1,781)	(6,931)	-	-	-	(8,712)	-	(8,712)
Release upon disposal of property, plant and equipment	-	-	-	(5)	-	-	5	-	-	-
Net income recognized directly in equity	10,860	4,282	(1,781)	(6,936)	(1,000)	-	1,005	6,430	-	6,430
Profit for the period	-	-	-	-	-	-	16,409	16,409	(1,041)	15,368
Total income and expenses recognized for the period	10,860	4,282	(1,781)	(6,936)	(1,000)	-	17,414	22,839	(1,041)	21,798
At 30 September 2008	79,860	54,326	-	10,538	-	-	79,190	223,914	101,962	325,876

	Attributable to the equity holders of the Company								
	Share capital	Share premium	Contributed surplus (Note (i))	Assets revaluation reserve	Warrant reserve	Convertible loan note equity reserve	Retained profits	Total	Minority interests
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
For the period ended 30 September 2007									
At 1 April 2007	54,300	35,491	1,781	19,660	1,000	-	48,579	160,811	2,951
Deferred tax	-	-	-	733	-	-	-	733	-
Release upon disposal of property, plant and equipment	-	-	-	(4,192)	-	-	4,192	-	-
Net income recognized directly in equity	-	-	-	(3,459)	-	-	4,192	733	-
Profit for the period	-	-	-	-	-	-	10,041	10,041	1
Total income and expenses recognized for the period	-	-	-	(3,459)	-	-	14,233	10,774	1
At 30 September 2007	54,300	35,491	1,781	16,201	1,000	-	62,812	171,585	2,952

Notes:

- (i) 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.
- (ii) 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 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.

Notes to the financial information

1. GENERAL

Wing Hing International (Holdings) Limited (the “Company”) was incorporated on 10 July 1995 in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended) and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The Company’s registered office is situated at Canon’s Court, 22 Victoria Street, Hamilton HM12, Bermuda. The Company’s principal place of business in Hong Kong is situated at 14th Floor, Yau Lee Centre, 45 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong.

The financial information is presented in Hong Kong dollars, which is the same as the functional currency of the Company.

The Company and its subsidiaries (collectively referred to as the “Group”) are principally engaged in (i) the undertaking of superstructure construction, foundation piling, substructure works, slope improvement, special construction projects, interior decoration and landscaping works in Hong Kong; and (ii) the development and management of a series of sophora products and of biological vegetable oil in the People’s Republic of China (the “PRC”).

2. SIGNIFICANT ACCOUNTING POLICIES

The financial information has been prepared on the historical cost basis except for certain properties, plant and equipment and financial instruments, which are measured at revalued amounts or fair values, as explained in the accounting policies set out below.

The financial information has been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). In addition, the financial information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and by the Hong Kong Companies Ordinance.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs ¹
HKAS 1 (Revised)	Presentation of Financial Statements ²
HKAS 23 (Revised)	Borrowing Costs ²
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ³
HKAS 32 & HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation ²
HKAS 39 (Amendment)	Eligible Hedged Items ³
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity and Associate ²
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations ²
HKFRS 3 (Revised)	Business Combinations ³
HKFRS 8	Operating Segments ²
HK(IFRIC)-Int 13	Customer Loyalty Programmes ⁴
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate ²
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation ⁵
HK(IFRIC)-Int 17	Distribution of Non-cash Assets to Owners ³

Notes:

- ¹ Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009
- ² Effective for annual periods beginning on or after 1 January 2009
- ³ Effective for annual periods beginning on or after 1 July 2009
- ⁴ Effective for annual periods beginning on or after 1 July 2008
- ⁵ Effective for annual periods beginning on or after 1 October 2008

The directors of the Company anticipate that the application of these standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

Basis of Consolidation

The financial information incorporates the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

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

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

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

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 that meet the conditions for recognition under HKFRS 3 "Business Combinations" are recognized at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", which are recognized and measured at fair value less costs to sell.

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 recognized. 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.

Goodwill

Goodwill arising on an acquisition of a subsidiary 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 at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalized goodwill arising on an acquisition of a subsidiary is presented separately in the consolidated balance sheet.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year.

When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalized is included in the determination of the amount of profit or loss on disposal.

Investments in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in the financial information 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 identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), 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 associate.

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.

Jointly-controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly-controlled entities.

The results and assets and liabilities of jointly-controlled entities are incorporated in the financial information 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 (which includes any long-term interests that, in substance, form part of the Group's net investment in the 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.

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 jointly-controlled entity 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.

When a group entity transacts with a jointly-controlled entity of the Group, unrealized profits or losses are eliminated to the extent of the Group's interest in the jointly-controlled entity.

Revenue recognition

Revenue from construction contracts is recognized on the percentage of completion basis, as further explained in the accounting policy on construction contracts (see below).

Revenue for sales of goods is recognized when goods are delivered and title has passed.

Service income is recognized when services are provided.

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 exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Property, plant and equipment

Property, plant and equipment are stated at cost or fair value less subsequent accumulated depreciation and impairment losses.

Buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated balance sheet at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and any subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any revaluation increase arising on revaluation of buildings is credited to the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognized as an expense, in which case the increase is credited to the consolidated income statement to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is dealt with as an expense to the extent that it exceeds the balance, if any, on the asset revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

Depreciation is provided to write off the cost or fair value of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

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 consolidated income statement in the year in which the item is derecognized.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. 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 asset) is included in the consolidated income statement in the year in which the item is derecognized.

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.

Where contract costs incurred to date plus recognized profits less recognized losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognized profits less recognized losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated balance sheet, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated balance sheet under trade and other receivables.

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 consolidated income statement on a straight-line basis over the term of the relevant lease.

The Group as lessee

Assets held under finance leases are recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on borrowing costs (see below).

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.

Leasehold land

Interest in leasehold land is accounted for as operating leases and amortized over the lease term on a straight-line basis.

Foreign currencies

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 the respective 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 translation of monetary items, are recognized in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognized in equity in the financial information. 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 recognized directly in equity, in which cases, the exchange differences are also recognized directly in equity.

For the purposes of presenting the financial information, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, 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 on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the balance sheet date. Exchange differences arising are recognized in the translation reserve.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalized as part of the cost of those assets. Capitalization of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. To the extent that fixed-rated bank borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalized borrowing costs reflected the hedged interest rate.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets 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 benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered service entitling them to the contributions.

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

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the 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, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Impairment of tangible assets other than goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as revaluation decrease under the standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset 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 revaluation increase under that standard.

Financial instruments

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

Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognized on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at fair value through profit or loss

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

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

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

At each balance sheet date subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value recognized directly in profit or loss in the period in which they arise. The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial assets.

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 amount due from an investee entity, loan receivable, trade receivables, other receivables, pledged bank deposits, and bank balances and cash) are carried at amortized cost using the effective interest method, less any identified impairment losses (see accounting policy in respect of impairment loss on financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments. The Group designated certain unlisted equity securities as available-for sale financial assets.

At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognized in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognized in equity is removed from equity and recognized in profit or loss (see accounting policy in respect of impairment loss on financial assets below).

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition (see accounting policy in respect of impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For an available-for sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, an impairment loss is recognized in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount 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 loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent 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.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognized directly in equity. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities at FVTPL and other financial liabilities.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognized on an effective interest basis other than those financial liabilities designated as at FVTPL, of which the interest expense is included in net gains or losses.

Financial liabilities at fair value through profit or loss

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

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

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

At each balance sheet date subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognized directly in profit or loss in the period in which they arise. The net gain or loss recognized in profit or loss includes any interest paid on the financial liability.

Other financial liabilities

Other financial liabilities (including trade payables, other payables and promissory note) are subsequently measured at amortized cost, using the effective interest method.

Convertible loan notes

Convertible loan notes issued by the Company that contain both the liability and conversion option components are classified separately into respective items on initial recognition. Conversion option will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest rate of similar non-convertible debts. The difference between the proceeds of the issue of the convertible loan notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the loan notes into equity, is included in equity (convertible loan notes equity reserve).

In subsequent periods, the liability component of the convertible loan notes 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 loan notes equity reserve until the conversion option is exercised (in which case the balance stated in convertible loan notes equity reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible loan notes equity reserve will be released to the retained profits. No gain or loss is recognized in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible loan notes 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 component and amortized over the period of the convertible loan notes using the effective interest method.

Equity instruments

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

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial guarantee contracts

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

Derecognition

Financial assets are derecognized when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognized directly in equity is recognized in profit or loss. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

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

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.

Share-based payment transactions*Equity-settled share-based payment transactions**Share options granted to employees*

For grants of share options which are conditional upon satisfying specified vesting conditions, the fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve). The impact of the revision of the original estimates during the vesting period, if any, is recognized in profit or loss with a corresponding adjustment to share options reserve.

For share options which are vested at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

At the time when the share options are exercised, the amount previously recognized in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in share options reserve will be transferred to retained profits.

Share options granted to suppliers

For share options granted to suppliers in exchange for goods or services, they are measured at the fair value of the goods or services received. The fair values of the goods or services are recognized as expenses immediately, unless the goods or services qualify for recognition as assets. Corresponding adjustments have been made to equity (share options reserve).

Cash-settled share-based payment transactions

For cash-settled share-based payments, the Group measures the goods or services acquired and the liability incurred at the fair value of the liability. At each balance sheet date, the liability is remeasured at its fair value until the liability is settled, with any changes in fair value recognized in profit or loss.

3. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 2, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The following are 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.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

Impairment loss of trade 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 trade 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.

Impairment loss on amounts due from an investee entity, associates and jointly-controlled entities

Management regularly reviews the recoverability of the amounts due from an investee entity, associates and jointly-controlled entities. Appropriate impairment for estimated irrecoverable amount is recognized in profit and loss when there is objective evidence that the amount is not recoverable. Specific allowance is only made for the amounts due from an investee entity, associates and jointly-controlled entities that the management assessed that the recovery of the amounts is doubtful.

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.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

4.1 CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Group's overall strategy unchanged from prior year.

The capital structure of the Group consists of debt (which includes trade and other payables, bank borrowings and a promissory note), cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital, reserves and retained profits.

Gearing ratio

The gearing ratio at the balance sheet dates was as follows:

	Year ended 31 March 2006 HK\$'000	Year ended 31 March 2007 HK\$'000	Year ended 31 March 2008 HK\$'000	Period ended 30 September 2008 HK\$'000	Period ended 30 September 2007 HK\$'000
Debt (i)	133,834	84,998	277,497	282,716	105,910
Cash and cash equivalents	(18,401)	(33,742)	(58,619)	(41,736)	(47,295)
Net debt	115,433	51,256	218,878	240,980	58,615
Equity (ii)	136,522	163,762	304,078	325,876	174,537
Net debt to equity ratio	85%	31%	72%	74%	34%

(i) Debt comprises trade and other payables, bank borrowings and a promissory note as detailed in notes 26, 27 and 28 respectively.

(ii) Equity includes all capital and reserves of the Group.

4.2 FINANCIAL INSTRUMENTS

Categories of financial instruments

	As at 31 March 2006 HK\$'000	As at 31 March 2007 HK\$'000	As at 31 March 2008 HK\$'000	As at 30 September 2008 HK\$'000
Financial assets				
Loans and receivables:				
– Amount due from an investee entity	13,164	16,604	53,796	–
– Promissory note receivables	–	–	–	80,593
– Loan receivable	–	–	1,000	1,000
– Trade and other receivables	126,820	118,780	91,572	104,343
– Pledged bank deposits	20,944	16,675	21,860	24,045
– Bank balances and cash	18,465	33,742	58,619	41,736
	<u>179,393</u>	<u>185,801</u>	<u>226,847</u>	<u>251,717</u>
 Available-for-sale financial asset:				
– Available-for-sale investment	<u>1</u>	<u>1</u>	<u>1</u>	<u>–</u>
 Financial liabilities				
Amortized cost:				
– Trade and other payables	88,710	69,638	141,884	93,626
– Bank borrowings, secured	19,105	3,504	–	–
– Promissory note payable	–	–	98,280	100,262
	<u>107,815</u>	<u>73,142</u>	<u>240,164</u>	<u>193,888</u>

The Group's major financial instruments include available-for-sale investment, loan receivable, trade and other receivables, pledged bank deposits, bank balances and cash, trade and other payables, bank borrowing and promissory note receivables and payable. 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.

Market risks

There has been no change to the Group's exposure to market risk or the manner in which it manages and measures the risk.

Foreign currency risk

During the Relevant Periods, the Group mainly operated in Hong Kong and the majority of the Group's transactions and balances were denominated in Hong Kong dollars. The directors consider that the currency risk is not significant and 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.

Interest rate risk

The Group is not exposed to significant fair value interest rate risk and cash flows interest rate risk. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Price risk

As the Group has no significant investments, the Group is not subject to significant price risk.

Credit risk

The Group's maximum exposure to credit risk which would cause a financial loss to the Group due to failure to discharge on obligation by the counterparties is arising from the carrying amounts of the respective recognized financial 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 monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual receivable at each balance sheet date 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.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings.

The Group's concentration of credit risk by geographical locations is mainly in Hong Kong, which accounted for over 90% of the total trade receivables as at the balance sheet dates. In addition, the Group has concentration risk on the amounts due from an investee entity, a jointly-controlled entity and an associate:

	As at 31 March 2006 HK\$'000	As at 31 March 2007 HK\$'000	As at 31 March 2008 HK\$'000	As at 30 September 2008 HK\$'000
Amount due from an investee entity	<u>13,164</u>	<u>16,604</u>	<u>53,796</u>	<u>N/A</u>
Amount due from a jointly-controlled entity	<u>N/A</u>	<u>4,212</u>	<u>12,506</u>	<u>15,630</u>
Amount due from an associate	<u>11,810</u>	<u>10,900</u>	<u>14,000</u>	<u>14,019</u>

The Group has no significant concentration of credit risk by customers, with exposure spread over a number of counterparties and customers.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilization of borrowings and ensures compliance with loan covenants.

The following tables detail the Group's remaining contractual maturity for its financial liabilities which are included in the maturity analysis provided internally to the key management personnel for the purpose of managing liquidity risk. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows.

	Within 1 year HK\$'000	1-5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amounts HK\$'000
As at 31 March 2006					
Trade and other payables	88,710	–	–	88,710	88,710
Bank borrowings	15,881	3,941	–	19,822	19,105
As at 31 March 2007					
Trade and other payables	69,638	–	–	69,638	69,638
Bank borrowings	1,051	2,890	–	3,941	3,504
As at 31 March 2008					
Trade and other payables	141,884	–	–	141,884	141,884
Promissory note payable	–	120,000	–	120,000	98,280
As at 30 September 2008					
Trade and other payables	93,626	–	–	93,626	93,626
Promissory note payable	–	120,000	–	120,000	100,262

Fair value of financial instruments

The fair value of financial assets and financial liabilities are determined as follows:

- (i) The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and ask prices respectively;
- (ii) The fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input. For an option-based derivative, the fair value is estimated using option pricing model.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded in the Financial Information approximate their fair values.

5. REVENUE

An analysis of the Group's revenue for the Relevant Periods is as follows:

	Year ended 31 March 2006 HK\$'000	Year ended 31 March 2007 HK\$'000	Year ended 31 March 2008 HK\$'000	Period ended 30 September 2007 HK\$'000	Period ended 30 September 2008 HK\$'000
Construction contract revenue	460,956	447,385	493,829	311,507	285,734
Revenue from sales of goods	33,489	32,907	19,558	15,508	—
	<u>494,445</u>	<u>480,292</u>	<u>513,387</u>	<u>327,015</u>	<u>285,734</u>

6. BUSINESS AND GEOGRAPHICAL SEGMENTS**Business segments**

For management purposes, the Group is currently organized into six operating divisions:

- (a) Superstructure construction works segment;
- (b) Foundation piling, substructure works and slope improvement works segment;
- (c) Special construction projects segment including civil engineering work, and electrical and mechanical works;
- (d) Interior decoration and landscaping works segment;
- (e) Energy-related investments, including the development and management of a series of sophora products and of biological vegetable oil in the PRC; and
- (f) Corporate and others segment, which comprises the Group's investment holding, and trading of construction machines and plastic products.

These divisions are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below.

	Superstructure construction HK\$'000	Foundation piling, substructure works and slope improvement HK\$'000	Special construction projects HK\$'000	Interior decoration and landscaping works HK\$'000	Energy-related investments HK\$'000	Corporate and others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Period ended								
30 September 2008								
REVENUE								
External sales	284,957	375	–	402	–	–	–	285,734
Inter-segment sales	–	23,549	–	4,804	–	–	(28,353)	–
	<u>–</u>	<u>23,549</u>	<u>–</u>	<u>4,804</u>	<u>–</u>	<u>–</u>	<u>(28,353)</u>	<u>–</u>
Total	<u>284,957</u>	<u>23,924</u>	<u>–</u>	<u>5,206</u>	<u>–</u>	<u>–</u>	<u>(28,353)</u>	<u>285,734</u>
RESULT								
Segment result	<u>(8,269)</u>	<u>(8,271)</u>	<u>–</u>	<u>507</u>	<u>12,096</u>	<u>–</u>	<u>(155)</u>	<u>(4,092)</u>
Unallocated income								74,231
Unallocated corporate expenses								(28,349)
Share of profits/(losses) of – associates								156
– jointly-controlled entities								(24,539)
Finance costs								<u>(2,039)</u>
Profit before tax								15,368
Income tax expense								<u>–</u>
Profit for the period								<u>15,368</u>
BALANCE SHEET								
ASSETS								
Segment assets	110,610	8,690	–	369	187,346	66,266	–	373,281
Interests in associates								–
Interests in jointly-controlled entities								(24,159)
Unallocated corporate assets								<u>236,392</u>
Consolidated total assets								<u>585,514</u>
LIABILITIES								
Segment liabilities	133,884	12,407	–	10,708	25	1,271	–	158,295
Unallocated corporate liabilities								<u>101,343</u>
Consolidated total liabilities								<u>259,638</u>

	Superstructure construction HK\$'000	Foundation piling, substructure works and slope improvement HK\$'000	Special construction projects HK\$'000	Interior decoration and landscaping works HK\$'000	Energy-related investments HK\$'000	Corporate and others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
OTHER INFORMATION								
Capital additions	47	–	–	–	–	113	–	160
Depreciation and amortization	124	1,645	–	–	2,313	45		4,127
Loss on disposal of property, plant and equipment	8	–	–	–	–	–	–	8
Gain on disposal of an subsidiaries	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(72,046)</u>	<u>–</u>	<u>(72,046)</u>
Period ended 30 September 2007								
REVENUE								
External sales	307,469	4,020	–	19	–	15,507	–	327,015
Inter-segment sales	<u>–</u>	<u>15,843</u>	<u>–</u>	<u>34,473</u>	<u>–</u>	<u>–</u>	<u>(50,316)</u>	<u>–</u>
Total	<u>307,469</u>	<u>19,863</u>	<u>–</u>	<u>34,492</u>	<u>–</u>	<u>15,507</u>	<u>(50,316)</u>	<u>327,015</u>
RESULT								
Segment result	<u>16,517</u>	<u>6,865</u>	<u>–</u>	<u>2,772</u>	<u>–</u>	<u>12,906</u>	<u>(10,603)</u>	28,457
Unallocated income								655
Unallocated corporate expenses								(14,046)
Share of losses of – associates								(768)
– jointly-controlled entities								(4,283)
Finance costs								<u>(143)</u>
Profit before tax								9,872
Income tax expense								<u>170</u>
Profit for the period								<u>10,042</u>

	Superstructure construction HK\$'000	Foundation piling, substructure works and slope improvement HK\$'000	Special construction projects HK\$'000	Interior decoration and landscaping works HK\$'000	Energy-related investments HK\$'000	Corporate and others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
BALANCE SHEET								
ASSETS								
Segment assets	118,682	20,864	–	269	–	52,230	(2,622)	189,423
Interests in associates								21,426
Interests in jointly-controlled entities								5,026
Unallocated corporate assets								65,831
								<u>281,706</u>
Consolidated total assets								<u>281,706</u>
LIABILITIES								
Segment liabilities	79,980	12,055	–	7,338	–	2,341	1,041	102,755
Unallocated corporate liabilities								4,414
								<u>107,169</u>
Consolidated total liabilities								<u>107,169</u>
OTHER INFORMATION								
Depreciation and amortization	119	112	–	1	–	2,203	–	2,435
Loss on fair value changes of property, plant and equipment	12	5	–	–	–	(1,509)	–	(1,497)
	<u>12</u>	<u>5</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(1,509)</u>	<u>–</u>	<u>(1,497)</u>
Year ended 31 March 2008								
REVENUE								
External sales	484,139	9,609	–	81	–	19,558	–	513,387
Inter-segment sales	–	19,489	–	46,887	–	–	(66,376)	–
	<u>–</u>	<u>19,489</u>	<u>–</u>	<u>46,887</u>	<u>–</u>	<u>–</u>	<u>(66,376)</u>	<u>–</u>
Total	<u>484,139</u>	<u>29,098</u>	<u>–</u>	<u>46,968</u>	<u>–</u>	<u>19,558</u>	<u>(66,376)</u>	<u>513,387</u>

	Superstructure construction <i>HK\$'000</i>	Foundation piling, substructure works and slope improvement <i>HK\$'000</i>	Special construction projects <i>HK\$'000</i>	Interior decoration and landscaping works <i>HK\$'000</i>	Energy-related investments <i>HK\$'000</i>	Corporate and others <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
RESULT								
Segment result	18,889	6,915	–	3,276	–	1,136	(11)	30,205
Unallocated income								(5,197)
Unallocated corporate expenses								(33,555)
Share of losses of – associates								21,484
– jointly-controlled entities								(4,847)
Finance costs								(484)
Profit before tax								7,606
Income tax expense								(1,585)
Profit for the year								6,021
BALANCE SHEET								
ASSETS								
Segment assets	99,290	13,205	–	192	279,488	74,322	521	467,018
Interests in associates								22,253
Interests in jointly-controlled entities								14,792
Unallocated corporate assets								80,668
Consolidated total assets								584,731
LIABILITIES								
Segment liabilities	93,494	6,916	–	7,565	23	71,219	–	179,217
Unallocated corporate liabilities								101,436
Consolidated total liabilities								280,653

	Superstructure construction HK\$'000	Foundation piling, substructure works and slope improvement HK\$'000	Special construction projects HK\$'000	Interior decoration and landscaping works HK\$'000	Energy-related investments HK\$'000	Corporate and others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
OTHER INFORMATION								
Capital additions	–	53	–	–	284,114	319	–	284,486
Depreciation and amortization	237	2,457	–	3	4,625	1,800	–	9,122
Loss on fair value changes of property, plant and equipment	–	5	–	–	–	–	–	5
Impairment losses on trade receivables	144	775	–	221	–	45	–	1,185
Impairment losses reversed on trade receivables	(420)	(30)	–	(705)	–	–	–	(1,155)
Impairment losses on amounts due from associates	6,198	–	–	–	–	–	–	6,198
Gain on disposal of property, plant and equipment	12	132	–	–	–	(1,509)	–	(1,365)
Loss on disposal of an subsidiaries	–	(932)	–	–	–	3,723	–	2,791
Gain on disposal of an associate	–	–	–	–	–	(2)	–	(2)
Gain on fair value changes of investment property	–	–	–	–	–	(1,700)	–	(1,700)
Write back of long-outstanding payables	(847)	–	–	–	–	–	–	(847)
Write off of other receivables	<u>599</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>599</u>

APPENDIX III
ACCOUNTANTS' REPORT ON THE GROUP

	Superstructure construction <i>HK\$'000</i>	Foundation piling, substructure works and slope improvement <i>HK\$'000</i>	Special construction projects <i>HK\$'000</i>	Interior decoration and landscaping works <i>HK\$'000</i>	Corporate and others <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Year ended 31 March 2007							
REVENUE							
External sales	400,745	31,466	1,653	13,521	32,907	–	480,292
Inter-segment sales	–	1,704	–	32,082	–	(33,786)	–
Total	<u>400,745</u>	<u>33,170</u>	<u>1,653</u>	<u>45,603</u>	<u>32,907</u>	<u>(33,786)</u>	<u>480,292</u>
RESULT							
Segment result	<u>43,720</u>	<u>46,466</u>	<u>(2,034)</u>	<u>7,672</u>	<u>2,014</u>	<u>(50)</u>	97,788
Unallocated income							6,663
Unallocated corporate expenses							(68,981)
Share of losses of							
– associates							(3,497)
– jointly-controlled entities							(19,467)
Finance costs							<u>(1,007)</u>
Profit before tax							11,499
Income tax expense							<u>(734)</u>
Profit for the year							<u><u>10,765</u></u>
BALANCE SHEET							
ASSETS							
Segment assets	100,740	15,313	–	3,697	47,505	521	167,776
Interests in associates							21,039
Interests in							
jointly-controlled entities							9,309
Unallocated corporate assets							<u>52,464</u>
Consolidated total assets							<u><u>250,588</u></u>
LIABILITIES							
Segment liabilities	61,390	14,043	–	3,313	2,748	–	81,494
Unallocated corporate liabilities							<u>5,332</u>
Consolidated total liabilities							<u><u>86,826</u></u>

	Superstructure construction HK\$'000	Foundation piling, substructure works and slope improvement HK\$'000	Special construction projects HK\$'000	Interior decoration and landscaping works HK\$'000	Corporate and others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
OTHER INFORMATION							
Capital additions	208	–	–	39	44	–	291
Depreciation and amortization	225	275	–	76	4,329	–	4,905
Loss on fair value changes of property, plant and equipment	11	–	–	–	–	–	11
Impairment losses on amounts due from contract customers	130	649	–	210	–	–	989
Impairment losses reversed on amounts due from contract customers	(2,246)	–	–	–	–	–	(2,246)
Loss on disposal of property, plant and equipment	100	33	–	32	–	–	165
Loss on disposal of a jointly-controlled entity	–	–	111	–	–	–	111
Gain on fair value changes of investment property	–	–	–	–	(400)	–	(400)
Gain on disposal of subsidiaries	–	–	–	(3,843)	–	–	(3,843)
Write back of long outstanding payables	<u>(74)</u>	<u>(187)</u>	<u>–</u>	<u>(110)</u>	<u>–</u>	<u>–</u>	<u>(371)</u>
Year ended 31 March 2006							
REVENUE							
External sales	326,263	54,535	58,671	21,487	33,489	–	494,445
Inter-segment sales	<u>287</u>	<u>4,055</u>	<u>2,882</u>	<u>34,661</u>	<u>–</u>	<u>(41,885)</u>	<u>–</u>
Total	<u>326,550</u>	<u>58,590</u>	<u>61,553</u>	<u>56,148</u>	<u>33,489</u>	<u>(41,885)</u>	<u>494,445</u>
RESULT							
Segment result	<u>32,523</u>	<u>17,780</u>	<u>(40,795)</u>	<u>8,709</u>	<u>3,954</u>	<u>1,277</u>	<u>23,448</u>
Unallocated income							1,308
Unallocated corporate expenses							(44,877)
Share of profits/(losses) of – associates							(413)
– jointly-controlled entities							800
Finance costs							<u>(890)</u>
Loss before tax							(20,624)
Income tax expense							<u>(369)</u>
Loss for the year							<u><u>(20,993)</u></u>

	Superstructure construction HK\$'000	Foundation piling, substructure works and slope improvement HK\$'000	Special construction projects HK\$'000	Interior decoration and landscaping works HK\$'000	Corporate and others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
BALANCE SHEET							
ASSETS							
Segment assets	87,549	23,325	8,740	8,776	45,483	595	174,468
Interests in associates							17,704
Interests in jointly-controlled entities							37,621
Unallocated corporate assets							41,829
							<u>271,622</u>
Consolidated total assets							<u>271,622</u>
LIABILITIES							
Segment liabilities	74,547	17,876	12,936	5,867	3,503	–	114,729
Unallocated corporate liabilities							20,371
							<u>135,100</u>
Consolidated total liabilities							<u>135,100</u>
OTHER INFORMATION							
Capital additions	24	281	–	419	189	–	913
Depreciation and amortization	465	361	14	179	4,449	–	5,468
Loss on fair value changes of property, plant and equipment	–	–	–	58	–	–	58
Impairment losses on amounts due from contract customers	1,431	199	147	–	102	15	1,894
Loss on disposal of property, plant and equipment	37	41	–	117	–	–	195
Loss on disposal of an associate	–	–	–	–	619	91	710
Gain on fair value changes of investment property	–	–	–	–	(400)	–	(400)
Write back of long outstanding payables	<u>(4,902)</u>	<u>(609)</u>	<u>(131)</u>	<u>(166)</u>	<u>(1,538)</u>	<u>–</u>	<u>(7,346)</u>

Inter-segment sales are charged at prevailing market rates.

Geographical segments

As over 90% of the Group's revenue is derived from customers based in Hong Kong, no further analysis of the Group's segment revenue by geographical area is presented.

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment, land use right and intangible assets, analyzed by the geographical area in which the assets are located:

	As at 31 March 2006 HK\$'000	As at 31 March 2007 HK\$'000	As at 31 March 2008 HK\$'000	As at 30 September 2008 HK\$'000
Assets located in				
– Hong Kong	216,297	220,240	268,194	332,491
– PRC	–	–	279,492	277,182
	<u>216,297</u>	<u>220,240</u>	<u>547,686</u>	<u>609,673</u>
Interests in associates	17,704	21,039	22,253	–
Interests in jointly-controlled entities	<u>37,621</u>	<u>9,309</u>	<u>14,792</u>	<u>–</u>
	<u><u>271,622</u></u>	<u><u>250,588</u></u>	<u><u>584,731</u></u>	<u><u>609,673</u></u>
Capital expenditure				
– Hong Kong	913	291	372	160
– PRC	–	–	284,114	–
	<u>913</u>	<u>291</u>	<u>284,486</u>	<u>160</u>

7. OTHER INCOME

	Year ended 31 March 2006 HK\$'000	Year ended 31 March 2007 HK\$'000	Year ended 31 March 2008 HK\$'000	Period ended 30 September 2007 HK\$'000	Period ended 30 September 2008 HK\$'000
Service fee income from:					
– jointly-controlled entities	9,630	40,366	1,549	3,401	1,147
– associates	125	370	2,045	1,708	1,113
– independent third parties	269	765	972	715	–
	<u>10,024</u>	<u>41,501</u>	<u>4,566</u>	<u>5,824</u>	<u>2,260</u>
Interest income on bank deposits	908	785	1,796	655	523
Effective interest					
income from promissory note receivables	–	–	–	–	1,595
Interest income on loan to an associate	–	–	13	–	–
Rental income from investment property	112	128	22	–	–
Rental income from machinery held for operating lease purposes	832	167	1,308	594	–
Others	1,418	1,248	1,030	861	43
	<u>13,294</u>	<u>43,829</u>	<u>8,735</u>	<u>7,934</u>	<u>4,421</u>

8. OTHER GAINS AND LOSSES

	Year ended 31 March 2006 HK\$'000	Year ended 31 March 2007 HK\$'000	Year ended 31 March 2008 HK\$'000	Period ended 30 September 2007 HK\$'000	Period ended 30 September 2008 HK\$'000
Gain/(Loss) on disposal of property, plant and equipment	(195)	(165)	1,365	1,497	(8)
Gain on early redemption of convertible loan note	–	–	48	–	–
Gain/(Loss) on disposal of subsidiaries	–	3,843	(2,791)	–	72,046
Gain/(Loss) on disposal of an associate	(710)	–	2	–	–
Loss on disposal of a jointly-controlled entity	–	(111)	–	–	–

APPENDIX III
ACCOUNTANTS' REPORT ON THE GROUP

	Year ended 31 March 2006 HK\$'000	Year ended 31 March 2007 HK\$'000	Year ended 31 March 2008 HK\$'000	Period ended 30 September 2007 HK\$'000	Period ended 30 September 2008 HK\$'000
Gain/(Loss) on fair value changes of property, plant and equipment	(58)	(11)	(5)	–	–
Impairment losses recognized in respect of trade receivables	(6,114)	(989)	(1,185)	–	–
Impairment losses reversed in respect of trade receivables	4,220	2,246	1,155	–	–
Impairment losses recognized in respect of amounts due from associates	–	–	(6,198)	–	–
Write off of other receivables	–	–	(599)	–	–
Write back of long outstanding payables	7,346	371	847	–	–
Gain on fair value changes of an investment property	400	400	1,700	–	–
Bad debt recovery	–	–	19	–	67
Others	–	129	–	–	–
	<u>4,889</u>	<u>5,713</u>	<u>(5,642)</u>	<u>1,497</u>	<u>72,105</u>

9. FINANCE COSTS

	Year ended 31 March 2006 HK\$'000	Year ended 31 March 2007 HK\$'000	Year ended 31 March 2008 HK\$'000	Period ended 30 September 2007 HK\$'000	Period ended 30 September 2008 HK\$'000
Interest on bank borrowings					
– wholly repayable within five years	754	1,007	192	143	57
– not wholly repayable within five years	68	–	–	–	–
Effective interest expense on convertible notes	68	–	292	–	–
Effective interest expense on promissory note payable	–	–	–	–	1,982
	<u>890</u>	<u>1,007</u>	<u>484</u>	<u>143</u>	<u>2,039</u>

No borrowing costs were capitalized during the Relevant Periods.

10. INCOME TAX EXPENSE

	Year ended 31 March 2006 HK\$'000	Year ended 31 March 2007 HK\$'000	Year ended 31 March 2008 HK\$'000	Period ended 30 September 2007 HK\$'000	Period ended 30 September 2008 HK\$'000
Current tax					
– Hong Kong	(43)	547	669	–	–
Deferred tax	412	187	916	170	–
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Tax charge for the year/period	<u>369</u>	<u>734</u>	<u>1,585</u>	<u>170</u>	<u>–</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the six months ended 30 September 2008. Hong Kong Profits Tax was calculated at 17.5% of the estimated assessable profit for each of the three years ended 31 March 2006, 2007 and 2008, and the six months ended 30 September 2007.

No PRC income tax has been provided in respect of the Group's PRC subsidiary since the PRC subsidiary had no taxable profit for the year ended 31 March 2008 and the six months ended 30 September 2008.

The tax charge for the Relevant Periods can be reconciled to the profit/(loss) per the consolidated income statement as follows:

	Year ended 31 March 2006 HK\$'000	Year ended 31 March 2007 HK\$'000	Year ended 31 March 2008 HK\$'000	Period ended 30 September 2007 HK\$'000	Period ended 30 September 2008 HK\$'000
Profit/(Loss) before tax	<u>(20,624)</u>	<u>11,499</u>	<u>7,606</u>	<u>9,872</u>	<u>15,368</u>
Notional tax on profit/(loss) before tax, calculated at the tax rates applicable to the profit/(loss)	(3,610)	2,012	1,331	1,728	2,535
Tax effect of income not taxable for tax purpose	(1,468)	(1,977)	(2,181)	(555)	(15,024)
Tax effect of expenses not deductible for tax purpose	1,804	1,028	4,593	428	682
Utilization of tax losses previously not recognized	(4,480)	(5,011)	(2,093)	(2,651)	(4,897)
Others	<u>8,123</u>	<u>4,682</u>	<u>(65)</u>	<u>880</u>	<u>16,704</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Tax charge for the year/period	<u>369</u>	<u>734</u>	<u>1,585</u>	<u>170</u>	<u>–</u>

11. PROFIT/(LOSS) FOR THE YEAR/PERIOD

Profit/(Loss) for the year/period has been arrived at after charging/(crediting):

	Year ended 31 March 2006 HK\$'000	Year ended 31 March 2007 HK\$'000	Year ended 31 March 2008 HK\$'000	Period ended 30 September 2007 HK\$'000	Period ended 30 September 2008 HK\$'000
Depreciation for property, plant and equipment	5,451	4,888	4,480	2,427	1,814
Less: Amounts capitalized in construction contracts	(3,663)	(3,677)	(2,358)	(1,791)	(1,583)
	1,788	1,211	2,122	636	231
Amortization of prepaid lease payments	17	17	4,642	8	2,313
Total depreciation and amortization	<u>1,805</u>	<u>1,228</u>	<u>6,764</u>	<u>644</u>	<u>2,544</u>
Auditors' remuneration	590	610	834	300	400
Net foreign exchange losses	195	81	233	170	2
Gross rental income from investment property	(112)	(128)	(22)	–	–
Less: Direct operating expenses from investment property that generated rental income during the year/period	31	32	25	–	–
	<u>(81)</u>	<u>(96)</u>	<u>3</u>	<u>–</u>	<u>–</u>
Minimum lease payments paid under operating leases during the year/period:					
Leasehold land and buildings	1,526	1,115	437	228	758
Less: Amounts capitalized in construction contracts	(531)	(442)	–	–	–
	995	673	437	228	758
Plant and machinery	7,362	3,117	676	548	232
Less: Amounts capitalized in construction contracts	(7,362)	(3,117)	(676)	(548)	(232)
	–	–	–	–	–
	<u>995</u>	<u>673</u>	<u>437</u>	<u>228</u>	<u>758</u>

	Year ended 31 March 2006 HK\$'000	Year ended 31 March 2007 HK\$'000	Year ended 31 March 2008 HK\$'000	Period ended 30 September 2007 HK\$'000	Period ended 30 September 2008 HK\$'000
Employee benefits expense (including directors' remuneration):					
Wages and salaries	66,984	81,685	46,950	24,340	23,993
Contributions to retirement benefits schemes	<u>1,875</u>	<u>3,035</u>	<u>1,462</u>	<u>811</u>	<u>806</u>
	68,859	84,720	48,412	25,151	24,799
Less: Amounts capitalized in construction contracts	<u>(40,635)</u>	<u>(23,860)</u>	<u>(13,955)</u>	<u>(13,982)</u>	<u>(15,042)</u>
	<u><u>28,224</u></u>	<u><u>60,860</u></u>	<u><u>34,457</u></u>	<u><u>11,169</u></u>	<u><u>9,757</u></u>
Cost of services and inventories recognized as an expense	490,730	425,548	490,108	305,837	304,147
Gain on fair value changes of an investment property	(400)	(400)	(1,700)	–	–
Share of tax of associates (included in share of results of associates)	–	90	4,722	–	–
Share of tax of a jointly-controlled entity (included in share of results of jointly-controlled entities)	<u><u>95</u></u>	<u><u>155</u></u>	<u><u>158</u></u>	<u><u>–</u></u>	<u><u>–</u></u>

12. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the directors were as follows:

	Fees <i>HK\$'000</i>	Salaries and other benefits <i>HK\$'000</i>	Contributions to retirement benefits schemes <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the period ended 30 September 2008				
<i>Executive directors</i>				
Mr. Ng Tat Leung, George	–	953	6	959
Mr. Wong Teck Ming	–	724	6	730
Mr. Lui Siu Yee, Samuel	–	468	6	474
Mr. Chan Wai Keung, Ivan (resigned on 29 April 2008)	–	8	1	9
Mr. Leung Pui Kwan	–	–	–	–
Dr. Peter He (appointed on 18 September 2008)	–	–	–	–
<i>Independent non-executive directors</i>				
Mr. Wong Lit Chor, Alexis	–	–	–	–
Dr. Leung Wai Cheung	–	–	–	–
Mr. Hui Wah Tat, Anthony	–	–	–	–
Total	<u>–</u>	<u>2,153</u>	<u>19</u>	<u>2,172</u>
For the period ended 30 September 2007				
<i>Executive directors</i>				
Mr. Ng Tat Leung, George	–	851	6	857
Mr. Wong Teck Ming	–	690	6	696
Mr. Lui Siu Yee, Samuel	–	486	6	492
Mr. Chan Wai Keung, Ivan	–	441	6	447
Mr. Lo Chung Sun, Simon	–	627	6	633
<i>Independent non-executive directors</i>				
Mr. Wong Lit Chor, Alexis	–	–	–	–
Mr. Lo Ka Wai	–	–	–	–
Dr. Leung Wai Cheung	–	–	–	–
Total	<u>–</u>	<u>3,095</u>	<u>30</u>	<u>3,125</u>

	Fees HK\$'000	Salaries and other benefits HK\$'000	Contributions to retirement benefits schemes HK\$'000	Total HK\$'000
For the year ended 31 March 2008				
<i>Executive directors</i>				
Mr. Ng Tat Leung, George	–	1,569	12	1,581
Mr. Wong Teck Ming	–	1,246	12	1,258
Mr. Lui Siu Yee, Samuel	–	770	12	782
Mr. Chan Wai Keung, Ivan	–	803	12	815
Mr. Lo Chung Sun, Simon (resigned on 7 March 2008)	–	1,089	11	1,100
Mr. Leung Pui Kwan (appointed on 7 Marh 2008)	–	–	–	–
<i>Independent non-executive directors</i>				
Mr. Wong Lit Chor, Alexis	100	–	–	100
Mr. Lo Ka Wai (resigned on 7 March 2008)	120	–	–	120
Dr. Leung Wai Cheung	100	–	–	100
Mr. Hui Wah Tat, Anthony (appointed on 7 March 2008)	–	–	–	–
Total	<u>320</u>	<u>5,477</u>	<u>59</u>	<u>5,856</u>
For the year ended 31 March 2007				
<i>Executive directors</i>				
Mr. Ng Tat Leung, George	–	1,435	12	1,447
Mr. Wong Teck Ming	–	1,113	12	1,125
Mr. Chen Jinkui (resigned on 9 November 2006)	–	–	–	–
Mr. Sun Haichao (resigned on 9 November 2006)	–	–	–	–
Mr. Lui Siu Yee, Samuel	–	568	12	580
Mr. Chan Wai Keung, Ivan	–	883	12	895
Mr. Lo Chung Sun, Simon	–	1,062	12	1,074
<i>Non-executive directors</i>				
Mr. Wang Xianzhang (resigned on 29 August 2006)	–	–	–	–
<i>Independent non-executive directors</i>				
Mr. Wong Lit Chor, Alexis	80	–	–	80
Mr. Lo Ka Wai	80	–	–	80
Dr. Leung Wai Cheung	80	–	–	80
Total	<u>240</u>	<u>5,061</u>	<u>60</u>	<u>5,361</u>

	Fees <i>HK\$'000</i>	Salaries and other benefits <i>HK\$'000</i>	Contributions to retirement benefits schemes <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the year ended 31 March 2006				
<i>Executive directors</i>				
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
<i>Non-executive directors</i>				
Mr. Wang Xianzhang	–	–	–	–
<i>Independent non-executive directors</i>				
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

During the Relevant Periods, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments during the Relevant Periods.

The amounts of directors' emoluments which are directly attributable to construction activities and capitalized in construction contracts amounted to approximately HK\$716,000, HK\$716,000, HK\$1,108,000 and HK\$522,000 for each of the three years ended 31 March 2006, 2007 and 2008 and the period ended 30 September 2007, respectively. No directors' emoluments were directly attributable to construction activities and capitalized in construction contracts for the period ended 30 September 2008.

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, HK\$96,000, HK\$96,000, HK\$48,000 for each of the three years ended 31 March 2006, 2007 and 2008 and the period ended 30 September 2007, respectively. No such arrangement for the period ended 30 September 2008.

13. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group for each of the three years ended 31 March 2006, 2007 and 2008 and the periods ended 30 September 2007 and 2008, 3, 4, 4 and 2 respectively were directors of the Company whose emoluments are included in the disclosures in Note 12 above. The emoluments of the remaining individuals were as follows:

	Year ended 31 March 2006 HK\$'000	Year ended 31 March 2007 HK\$'000	Year ended 31 March 2008 HK\$'000	Period ended 30 September 2007 HK\$'000	Period ended 30 September 2008 HK\$'000
Salaries and other benefits	3,044	2,650	1,060	480	1,520
Contributions to retirement benefits schemes	24	5	12	6	18
	<u>3,068</u>	<u>2,655</u>	<u>1,072</u>	<u>486</u>	<u>1,538</u>

Their emoluments were within the following bands:

	Year ended 31 March 2006	Year ended 31 March 2007	Year ended 31 March 2008	Period ended 30 September 2007	Period ended 30 September 2008
Number of individuals					
Nil-HK\$1,000,000	–	–	–	1	2
HK\$1,000,001-HK\$1,500,000	1	–	1	–	–
HK\$1,500,001-HK\$2,000,000	1	–	–	–	–
HK\$2,500,001-HK\$3,000,000	–	1	–	–	–
	<u>2</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>2</u>

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.

14. EARNINGS/(LOSS) PER SHARE

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

	Year ended 31 March 2006 HK\$'000	Year ended 31 March 2007 HK\$'000	Year ended 31 March 2008 HK\$'000	Period ended 30 September 2007 HK\$'000	Period ended 30 September 2008 HK\$'000
Earnings/(Loss)					
Earnings/(Loss) for the purpose of basic earnings per share (profit/(loss) for the year/period attributable to equity holders of the Company)	<u>(22,336)</u>	<u>9,519</u>	<u>8,104</u>	<u>10,041</u>	<u>16,409</u>
Number of shares (in thousand)					
Weighted average number of ordinary shares for the purpose of calculating basic earnings/(loss) per share	<u>35,195</u>	<u>50,184</u>	<u>54,983</u>	<u>54,300</u>	<u>71,908</u>

The weighted average number of ordinary shares used in the calculation of earnings per share for the year ended 31 March 2007 has accounted for the issuance of new shares pursuant to the rights issue which was completed in June 2006. The corresponding number of ordinary shares for the year ended 31 March 2006 has been retrospectively adjusted to reflect the said rights issue.

The computation of diluted earnings per share did not assume the exercise of the Company's outstanding warrants as their exercise price was higher than the average market price for shares for the Relevant Periods.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold buildings <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Furniture and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
COST OR VALUATION					
At 1 April 2005	8,150	13,768	9,398	1,202	32,518
Additions	–	243	203	467	913
Disposals	–	(36)	–	(225)	(261)
Revaluation	1,550	(2,047)	–	(199)	(696)
At 31 March 2006	9,700	11,928	9,601	1,245	32,474
Additions	–	39	46	206	291
Disposals	–	(2)	–	(432)	(434)
Disposal of subsidiaries	–	(469)	(1,045)	(154)	(1,668)
Revaluation	300	(1,580)	–	(195)	(1,475)
At 31 March 2007	10,000	9,916	8,602	670	29,188
Additions	–	–	26	346	372
Disposals	–	(2,491)	–	(175)	(2,666)
Disposal of subsidiaries	–	–	(35)	–	(35)
Revaluation	(29)	(1,832)	–	(120)	(1,981)
At 31 March 2008	9,971	5,593	8,593	721	24,878
Additions	–	–	160	–	160
Disposals	–	–	–	(10)	(10)
Disposal of subsidiaries	(9,971)	(527)	(776)	(63)	(11,337)
At 30 September 2008	<u>–</u>	<u>5,066</u>	<u>7,977</u>	<u>648</u>	<u>13,691</u>
Analysis of cost or valuation					
At 31 March 2006					
At cost	–	–	9,601	–	9,601
At valuation	9,700	11,928	–	1,245	22,873
	<u>9,700</u>	<u>11,928</u>	<u>9,601</u>	<u>1,245</u>	<u>32,474</u>
At 31 March 2007					
At cost	–	–	8,602	–	8,602
At valuation	10,000	9,916	–	670	20,586
	<u>10,000</u>	<u>9,916</u>	<u>8,602</u>	<u>670</u>	<u>29,188</u>

	Leasehold buildings <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Furniture and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 31 March 2008					
At cost	–	–	8,593	–	8,593
At valuation	9,971	5,593	–	721	16,285
	<u>9,971</u>	<u>5,593</u>	<u>8,593</u>	<u>721</u>	<u>24,878</u>
At 30 September 2008					
At cost	–	–	7,977	–	7,977
At valuation	–	5,066	–	648	5,714
	<u>–</u>	<u>5,066</u>	<u>7,977</u>	<u>648</u>	<u>13,691</u>
DEPRECIATION					
At 1 April 2005	–	–	7,742	–	7,742
Provided for the year	178	3,774	735	764	5,451
Eliminated on revaluation	(178)	(3,774)	–	(764)	(4,716)
At 31 March 2006	–	–	8,477	–	8,477
Provided for the year	242	3,763	484	399	4,888
Eliminated on disposal of subsidiaries	–	(48)	(971)	(17)	(1,036)
Eliminated on revaluation	(242)	(3,715)	–	(382)	(4,339)
At 31 March 2007	–	–	7,990	–	7,990
Provided for the year	250	3,612	328	290	4,480
Eliminated on disposal of subsidiaries	–	–	(34)	–	(34)
Eliminated on revaluation	(250)	(3,612)	–	(290)	(4,152)
At 31 March 2008	–	–	8,284	–	8,284
Provided for the period	–	1,593	54	167	1,814
Eliminated on disposal of subsidiaries	–	–	(616)	–	(616)
At 30 September 2008	<u>–</u>	<u>1,593</u>	<u>7,722</u>	<u>167</u>	<u>9,482</u>

	Leasehold buildings <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Furniture and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
CARRYING AMOUNTS					
At 30 September 2008	<u>–</u>	<u>3,473</u>	<u>255</u>	<u>481</u>	<u>4,209</u>
At 31 March 2008	<u>9,971</u>	<u>5,593</u>	<u>309</u>	<u>721</u>	<u>16,594</u>
At 31 March 2007	<u>10,000</u>	<u>9,916</u>	<u>612</u>	<u>670</u>	<u>21,198</u>
At 31 March 2006	<u>9,700</u>	<u>11,928</u>	<u>1,124</u>	<u>1,245</u>	<u>23,997</u>

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold buildings:	Over the lease terms
Plant and machinery:	10%
Furniture and equipment:	20%
Motor vehicles:	20%

At the balance sheet dates, the Group's leasehold buildings were situated in Hong Kong and held under medium term leases, which were pledged to secure general banking facilities granted to the Group.

The Group's leasehold buildings were revalued on 31 March 2008 at HK\$9,971,000 (2007: HK\$10,000,000; 2006: HK\$9,700,000) by Asset Appraisal Limited, independent qualified professional valuers not connected with the Group. Asset Appraisal Limited is a member of Hong Kong Institute of Surveyors, and has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation was arrived at by reference to market evidence of transaction prices for similar properties. The gain on revaluation of approximately HK\$221,000 (2007: HK\$542,000; 2006: HK\$1,728,000) was credited to the asset revaluation reserve.

The fair value of the Group's plant and machinery at 31 March 2008 of approximately HK\$5,593,000 (2007: HK\$9,916,000; 2006: HK\$11,928,000) was arrived at on the basis of a valuation carried out on that date by Asset Appraisal Limited, on a fair market value, continued use basis. The gain on revaluation of approximately HK\$1,780,000 (2007: HK\$2,135,000; 2006: HK\$1,785,000) was credited to the asset revaluation reserve, and a loss on revaluation of approximately HK\$58,000 was charged to the consolidated income statement for the year ended 31 March 2006.

The fair value of the Group's motor vehicles at 31 March 2008 of approximately HK\$721,000 (2007: HK\$670,000; 2006: HK\$1,245,000) was arrived at on the basis of a valuation carried out at that date by Asset Appraisal Limited, on a fair market value, continued use basis. The gain on revaluation of approximately HK\$175,000 (2007: HK\$198,000; 2006: HK\$565,000) was credited to the asset revaluation reserve and a loss on revaluation of approximately HK\$5,000 (2007: HK\$11,000) was charged to the consolidated income statement for the year ended 31 March 2008.

The directors believe that the carrying value of furniture and equipment at the balance sheet dates 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.

16. PREPAID LEASE PAYMENTS

	As at 31 March 2006 HK\$'000	As at 31 March 2007 HK\$'000	As at 31 March 2008 HK\$'000	As at 30 September 2008 HK\$'000
The Group's prepaid lease payments comprise:				
Land in Hong Kong				
Medium lease term	692	675	659	–
Land outside Hong Kong				
Medium lease term	–	–	189,659	187,346
	<u>692</u>	<u>675</u>	<u>190,318</u>	<u>187,346</u>

17. INVESTMENT PROPERTY

	As at 31 March 2006 HK\$'000	As at 31 March 2007 HK\$'000	As at 31 March 2008 HK\$'000	As at 30 September 2008 HK\$'000
FAIR VALUE				
Balance brought forward	4,000	4,400	4,800	–
Net increase in fair value	<u>400</u>	<u>400</u>	<u>1,700</u>	<u>–</u>
Balance carried forward	<u>4,400</u>	<u>4,800</u>	<u>6,500</u>	<u>–</u>

The fair value of the Group's investment property at 31 March 2008 has been arrived at on the basis of a valuation carried out on that date by Asset Appraisal Limited. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

All of the Group's property interests held under operating leases to earn rentals purposes are measured using the fair value model and are classified and accounted for as investment properties.

At the balance sheet dates, the Group's investment property was located in Hong Kong and held under medium term lease, which was pledged to secure general banking facilities granted to the Group.

18. GOODWILL

	As at 31 March 2006 HK\$'000	As at 31 March 2007 HK\$'000	As at 31 March 2008 HK\$'000	As at 30 September 2008 HK\$'000
COST AND CARRYING AMOUNTS				
Balance brought forward	2,308	2,308	1,943	89,829
Acquisition of subsidiaries	–	–	89,829	–
Eliminated on disposal of a subsidiary	–	(365)	(1,943)	–
Balance carried forward	<u>2,308</u>	<u>1,943</u>	<u>89,829</u>	<u>89,829</u>

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:

	As at 31 March 2006 HK\$'000	As at 31 March 2007 HK\$'000	As at 31 March 2008 HK\$'000	As at 30 September 2008 HK\$'000
Landscaping				
– Design Landscapes International (HK) Company Limited (single CGU)	365	–	–	–
Trading of plastic products				
– Supertact Plastics Company Limited (single CGU)	1,943	1,943	–	–
Development and management of a series of sophora products and of biological oil				
– Inner Mongolia Meng Wei Biodiesel and Environmental Protection Products Company Limited	–	–	89,829	89,829
	<u>2,308</u>	<u>1,943</u>	<u>89,829</u>	<u>89,829</u>

The recoverable amount of the CGU which is engaged in the development and management of a series of sophora products and of biological vegetable oil in the PRC is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by management covering a five-year period, and a discount rate of 4% per annum. Cash flows beyond that five-year period have been extrapolated using a steady 3% per annum growth rate, which is determined by management based on its expectation of market development.

19. INTERESTS IN ASSOCIATES

	As at 31 March 2006 HK\$'000	As at 31 March 2007 HK\$'000	As at 31 March 2008 HK\$'000	As at 30 September 2008 HK\$'000
Cost of investment in associates				
Unlisted	858	4,787	4,787	4,783
Share of post-acquisition results, net of dividends received	(416)	(3,913)	17,466	(4,783)
	442	874	22,253	–
Amounts due from associates	31,546	32,120	15,007	15,123
Less: accumulated impairment	(12,684)	(877)	(7,075)	(7,075)
	18,862	31,243	7,932	8,048
Less: Amounts due from associates classified as current	(1,600)	(11,078)	(7,932)	(8,048)
	17,262	20,165	–	–
	17,704	21,039	22,253	–

Particulars of the Group's principal associates are as follows:

Name of entity	Form of business structure	Place of incorporation and operations	Proportion of nominal value of issued capital held by the Group				Principal activities
			As at 31 March 2006	As at 31 March 2007	As at 31 March 2008	As at 30 September 2008	
Design Landscapes International (HK) Company Limited	Limited liability company	Hong Kong	–	50%	50%	50%	Provision of landscaping services
Design Landscapes International (Group) Company Limited	Limited liability company	Hong Kong	50%	50%	50%	50%	Provision of landscaping services
King Fine Development Limited	Limited liability company	Hong Kong	35%	35%	35%	–	Property development
Powerluck Properties Limited	Limited liability company	BVI	35%	35%	–	–	Property development
Hypsos Leisure Asia Limited	Limited liability company	Hong Kong	42.5%	42.5%	42.5%	42.5%	Exhibition project management

The above table lists the associates of the Group which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

The summarized financial information in respect of the Group's associates is set out below:

	As at and for the year ended 31 March 2006 HK\$'000	As at and for the year ended 31 March 2007 HK\$'000	As at and for the year ended 31 March 2008 HK\$'000	As at and for the period ended 30 September 2008 HK\$'000
Total assets	79,714	196,507	261,716	29,879
Total liabilities	78,760	196,326	207,023	37,841
Revenue	721	71,110	176,358	46,831
(Profit)/Loss for the year/period	<u>980</u>	<u>8,945</u>	<u>(50,564)</u>	<u>1,370</u>

20. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	As at 31 March 2006 HK\$'000	As at 31 March 2007 HK\$'000	As at 31 March 2008 HK\$'000	As at 30 September 2008 HK\$'000
Cost of investment in jointly-controlled entities				
Unlisted	39,924	34,639	34,639	–
Share of post-acquisition results, net of dividends received	<u>(2,303)</u>	<u>(25,330)</u>	<u>(30,177)</u>	<u>(39,735)</u>
	37,621	9,309	4,462	(39,735)
Amounts due from jointly-controlled entities	<u>5,171</u>	<u>8,652</u>	<u>15,014</u>	<u>18,086</u>
	42,792	17,961	19,476	(21,649)
Less: Amounts due from jointly-controlled entities classified as current	<u>(5,171)</u>	<u>(8,652)</u>	<u>(4,684)</u>	<u>(2,510)</u>
	<u>37,621</u>	<u>9,309</u>	<u>14,792</u>	<u>(24,159)</u>

The Group had provided undertakings of financial support to certain of the Group's jointly-controlled entities in proportion to its equity interests in these entities, in order that these entities could meet their obligations and liabilities as and when they fall due. Accordingly, the Group's share of the net deficiency in assets of these jointly-controlled entities at 30 September 2008 has already been accounted for in presenting the Group's financial statements for the period ended 30 September 2008.

Particulars of the Group's principal jointly-controlled entities are as follows:

Name of entity	Form of business structure	Place of incorporation/ registration and operations	Proportion of nominal value of issued capital held by the Group				Principal activities
			As at 31 March 2006	As at 31 March 2007	As at 31 March 2008	As at 30 September 2008	
AWG-JV Limited	Limited liability company	Hong Kong	50%	50%	–	–	Foundation piling works
Costain-China Harbour Joint Venture	Unincorporated	Hong Kong	40%	40%	40%	40%	Foundation piling works
CCL Joint Venture	Unincorporated	Hong Kong	33%	–	–	–	Superstructure construction
CHEC-CWF Limited	Limited liability company	Hong Kong	30%	30%	30%	30%	Highway maintenance
China Harbour-Transfield Joint Venture	Unincorporated	Hong Kong	15.3%	15.3%	15.3%	15.3%	Drainage improvement
W.Hing-Kentech Joint Venture	Unincorporated	Hong Kong	70%	–	–	–	Superstructure construction
MLL-CWF Joint Venture	Unincorporated	Hong Kong	40%	40%	40%	40%	Foundation piling works
China Harbour-CWF Joint Venture	Unincorporated	Hong Kong	49%	49%	49%	49%	Foundation piling works
Excel-China Harbour Joint Venture	Unincorporated	Hong Kong	–	–	15%	15%	Fresh Water plumbing work
Veolia Water (Zhuhai) Wastewater Treatment Company Limited	Sino-foreign co-operative joint venture	PRC	40%	40%	40%	–	Provision of wastewater treatment service
Veolia Water (Zhuhai) Wastewater Treatment Operations Company Limited	Sino-foreign co-operative joint venture	PRC	39%	39%	39%	–	Provision of wastewater treatment management service

The above table lists the jointly-controlled entities of the Group which, in the opinion of the directors, principally affected the results or 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.

The summarized financial information in respect of the Group's jointly-controlled entities is set out below:

	As at and for the year ended 31 March 2006 HK\$'000	As at and for the year ended 31 March 2007 HK\$'000	As at and for the year ended 31 March 2008 HK\$'000	As at and for the period ended 30 September 2008 HK\$'000
Total assets	365,215	378,923	374,486	67,334
Total liabilities	261,489	365,967	391,847	196,070
Revenue	248,398	412,994	549,233	223,539
Profit/(Loss) for the year/period	<u>13,694</u>	<u>(68,134)</u>	<u>(31,202)</u>	<u>(77,589)</u>

21. AVAILABLE-FOR-SALE INVESTMENT

	As at 31 March 2006 HK\$'000	As at 31 March 2007 HK\$'000	As at 31 March 2008 HK\$'000	As at 30 September 2008 HK\$'000
Unlisted equity securities	<u>1</u>	<u>1</u>	<u>1</u>	<u>–</u>

Notes:

- (i) The unlisted equity securities represented the Group's investment in 8% of the issued share capital of Wealthy Star Development Limited, a private limited liability company incorporated in Hong Kong which is engaged in property development. The investment is measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that its fair value cannot be measured reliably.
- (ii) The amount due from an investee entity, Wealthy Star Development Limited, of approximately HK\$13,164,000, HK\$16,604,000 and HK\$53,796,000 at 31 March 2006, 2007 and 2008, respectively is unsecured, interest-free and has no fixed terms of repayment.

22. DEFERRED TAXATION

The following are the major deferred tax balances recognized and movements thereon during the Relevant Periods:

Deferred tax liabilities

	Accelerated tax depreciation <i>HK\$'000</i>	Revaluation of assets <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2005	252	1,551	1,803
Credit to consolidated income statement for the year	(392)	–	(392)
Charge to equity for the year	–	221	221
At 31 March 2006	(140)	1,772	1,632
Charge to consolidated income statement for the year	140	–	140
Charge to equity for the year	–	1,040	1,040
At 31 March 2007	–	2,812	2,812
Charge to consolidated income statement for the year	818	–	818
Charge to equity for the year	–	(487)	(487)
At 31 March 2008	818	2,325	3,143
Release on disposal of a subsidiary	(688)	(718)	(1,406)
Credit to consolidated income statement for the period	(130)	–	(130)
At 30 September 2008	<u>–</u>	<u>1,607</u>	<u>1,607</u>

Deferred tax assets

	Tax losses <i>HK\$'000</i>	Decelerated tax depreciation <i>HK\$'000</i>	Revaluation of assets <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2005	1,815	–	124	1,939
Charge to consolidated income statement for the year	(804)	–	–	(804)
At 31 March 2006	1,011	–	124	1,135
Credit/(charge) to consolidated income statement for the year	(403)	356	–	(47)
At 31 March 2007	608	356	124	1,088
Release on disposal of a subsidiary	(144)	(1)	–	(145)
Credit/(charge) to consolidated income statement for the year	381	(355)	(124)	(98)
At 31 March 2008	845	–	–	845
Credit/(charge) to consolidated income statement for the period	(211)	81	–	(130)
At 30 September 2008	<u>634</u>	<u>81</u>	<u>–</u>	<u>715</u>

For the purpose of balance sheet presentation, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	As at 31 March 2006 HK\$'000	As at 31 March 2007 HK\$'000	As at 31 March 2008 HK\$'000	As at 30 September 2008 HK\$'000
Deferred tax liabilities	609	1,828	2,487	1,081
Deferred tax assets	(112)	(104)	(189)	(189)
	<u>497</u>	<u>1,724</u>	<u>2,298</u>	<u>892</u>

At 30 September 2008, the Group has unused tax losses of HK\$59,353,000 available for offset against future profits. A deferred tax asset has been recognized in respect of approximately HK\$3,623,000 of such losses. No deferred tax asset has been recognized in respect of the remaining HK\$55,730,000 due to the unpredictability of future profit streams. All unused tax losses may be carried forward indefinitely.

23. LOAN RECEIVABLE

	As at 31 March 2006 HK\$'000	As at 31 March 2007 HK\$'000	As at 31 March 2008 HK\$'000	As at 30 September 2008 HK\$'000
Loan to an associate	<u>—</u>	<u>—</u>	<u>1,000</u>	<u>1,000</u>

The Group has provided a short-term loan to an associate which is unsecured and has no fixed terms of repayment. The effective interest for the current year is 12% per annum.

24. TRADE AND OTHER RECEIVABLES

	As at 31 March 2006 HK\$'000	As at 31 March 2007 HK\$'000	As at 31 March 2008 HK\$'000	As at 30 September 2008 HK\$'000
Accounts receivable	91,850	75,214	68,998	87,965
Less: allowance for doubtful debts	(28,712)	(27,333)	(27,491)	(27,404)
	<u>63,138</u>	<u>47,881</u>	<u>41,507</u>	<u>60,561</u>
Contract retention receivables	45,319	33,606	35,344	40,577
Less: allowance for doubtful debts	(12,549)	(9,859)	(9,444)	(9,444)
	<u>32,770</u>	<u>23,747</u>	<u>25,900</u>	<u>31,133</u>
Less: contract retention receivables classified as non-current assets	(3,963)	(2,154)	(10,484)	(17,991)
Retentions held by contract customers included in trade receivables under current assets	<u>28,807</u>	<u>21,593</u>	<u>15,416</u>	<u>13,142</u>
Amounts due from contract customers	<u>22,608</u>	<u>25,883</u>	<u>26,603</u>	<u>12,057</u>
Total trade receivables as shown under current assets	114,553	95,357	83,526	85,760
Prepayments, deposits and other receivables	2,320	2,794	2,354	66,186
Amounts due from jointly-controlled entities	5,171	8,652	4,684	2,510
Amounts due from associates	1,600	11,078	7,932	8,048
Amounts due from minority shareholders	<u>4,607</u>	<u>4,463</u>	<u>—</u>	<u>231</u>
	<u>13,698</u>	<u>26,987</u>	<u>14,970</u>	<u>76,975</u>
	<u><u>128,251</u></u>	<u><u>122,344</u></u>	<u><u>98,496</u></u>	<u><u>162,735</u></u>

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 dates:

	As at 31 March 2006 HK\$'000	As at 31 March 2007 HK\$'000	As at 31 March 2008 HK\$'000	As at 30 September 2008 HK\$'000
Contract costs incurred plus recognized profits				
less recognized losses to date	416,749	844,087	591,047	231,769
Less: progress billings	(394,141)	(818,204)	(564,444)	(219,712)
Amounts due from contract customers	<u>22,608</u>	<u>25,883</u>	<u>26,603</u>	<u>12,057</u>

Included in the Group's accounts receivable are the following amounts due from associates and a jointly-controlled entity of the Group which are unsecured, interest-free and payable on similar credit terms to those offered to other major customers of the Group. The receivables arose from the undertaking of construction contract works during the Relevant Periods.

	As at 31 March 2006 HK\$'000	As at 31 March 2007 HK\$'000	As at 31 March 2008 HK\$'000	As at 30 September 2008 HK\$'000
Associates	<u>3,423</u>	<u>6,087</u>	<u>1,775</u>	<u>415</u>
Jointly-controlled entity	<u>5,363</u>	<u>1,163</u>	<u>541</u>	<u>—</u>

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

An aged analysis of accounts receivable net of allowance for doubtful debts at the balance sheet date, based on the invoice date, is as follows:

	As at 31 March 2006 HK\$'000	As at 31 March 2007 HK\$'000	As at 31 March 2008 HK\$'000	As at 30 September 2008 HK\$'000
0-90 days	55,673	45,153	40,619	59,848
91-180 days	743	276	24	53
181-365 days	651	70	644	660
Over 365 days	<u>6,071</u>	<u>2,382</u>	<u>220</u>	<u>—</u>
	<u>63,138</u>	<u>47,881</u>	<u>41,507</u>	<u>60,561</u>

APPENDIX III**ACCOUNTANTS' REPORT ON THE GROUP**

An aged analysis of contract retention receivables net of allowance for doubtful debts at the balance sheet date, based on the invoice date, is as follows:

	As at 31 March 2006 HK\$'000	As at 31 March 2007 HK\$'000	As at 31 March 2008 HK\$'000	As at 30 September 2008 HK\$'000
0-90 days	3,214	4,135	3,487	7,966
91-180 days	7,741	2,639	3,351	7,240
181-365 days	7,355	4,500	10,533	5,884
Over 365 days	14,460	12,473	8,529	10,043
	<u>32,770</u>	<u>23,747</u>	<u>25,900</u>	<u>31,133</u>

An aged analysis of accounts receivable that are not considered to be impaired is as follows:

	As at 31 March 2006 HK\$'000	As at 31 March 2007 HK\$'000	As at 31 March 2008 HK\$'000	As at 30 September 2008 HK\$'000
Neither past due nor impaired	54,850	45,343	39,798	44,230
Past due but not impaired:				
1-90 days	802	144	933	15,628
91-180 days	764	13	—	54
181-365 days	650	—	644	649
Over 365 days	6,072	2,381	132	—
	<u>63,138</u>	<u>47,881</u>	<u>41,507</u>	<u>60,561</u>

An aged analysis of contract retention receivables that are not considered to be impaired is as follows:

	As at 31 March 2006 HK\$'000	As at 31 March 2007 HK\$'000	As at 31 March 2008 HK\$'000	As at 30 September 2008 HK\$'000
Neither past due nor impaired	27,878	23,747	25,012	26,149
Past due but not impaired:				
1-90 days	4,892	—	888	4,984
	<u>32,770</u>	<u>23,747</u>	<u>25,900</u>	<u>31,133</u>

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

The movement in the allowance for doubtful debts on accounts receivable is as follows:

	As at 31 March 2006 HK\$'000	As at 31 March 2007 HK\$'000	As at 31 March 2008 HK\$'000	As at 30 September 2008 HK\$'000
Balance at beginning of the year	26,505	28,712	27,333	27,491
Impairment losses recognized	3,177	501	975	–
Amounts written off as uncollectible	(16)	(1,035)	(67)	–
Impairment losses reversed	(954)	(845)	(750)	–
Release on disposal of subsidiaries	–	–	–	(87)
	<u>28,712</u>	<u>27,333</u>	<u>27,491</u>	<u>27,404</u>

The movement in the allowance for doubtful debts on contract retention receivables is as follows:

	As at 31 March 2006 HK\$'000	As at 31 March 2007 HK\$'000	As at 31 March 2008 HK\$'000	As at 30 September 2008 HK\$'000
Balance at beginning of the year	12,878	12,549	9,859	9,444
Impairment losses recognized	2,937	488	210	–
Amounts written off as uncollectible	–	(1,777)	(220)	–
Impairment losses reversed	(3,266)	(1,401)	(405)	–
	<u>12,549</u>	<u>9,859</u>	<u>9,444</u>	<u>9,444</u>

The amount of allowances for doubtful debts on accounts receivable and contract retention receivables are individually impaired. The individually impaired receivables related to customers that were in dispute or in delinquency in payments and the management assessed that the recovery of the amounts is doubtful. The Group does not hold any collateral over these balances.

An aged analysis of impaired accounts receivable is as follows:

	As at 31 March 2006 HK\$'000	As at 31 March 2007 HK\$'000	As at 31 March 2008 HK\$'000	As at 30 September 2008 HK\$'000
Over 365 days	<u>28,712</u>	<u>27,333</u>	<u>27,491</u>	<u>27,404</u>

An aged analysis of impaired contract retention receivables is as follows:

	As at 31 March 2006 HK\$'000	As at 31 March 2007 HK\$'000	As at 31 March 2008 HK\$'000	As at 30 September 2008 HK\$'000
Over 365 days	<u>12,549</u>	<u>9,859</u>	<u>9,444</u>	<u>9,444</u>

25. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

The pledged bank deposits at the balance sheet dates were mainly denominated in Hong Kong dollars and United States dollars and carried interest at prevailing market rate.

Pledged bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group. Pledged bank deposits were mainly denominated in Hong Kong dollars. Further details are set out in note 35 to the financial statements.

26. TRADE AND OTHER PAYABLES

	As at 31 March 2006 HK\$'000	As at 31 March 2007 HK\$'000	As at 31 March 2008 HK\$'000	As at 30 September 2008 HK\$'000
Accounts payable	74,902	61,727	67,923	64,423
Amounts due to contract customers	<u>26,019</u>	<u>11,856</u>	<u>37,333</u>	<u>88,828</u>
Total trade and other payables as shown under current liabilities	<u>100,921</u>	<u>73,583</u>	<u>105,256</u>	<u>153,251</u>
Other payables and accruals	4,957	4,278	34,485	4,003
Amounts due to jointly-controlled entities	7,808	2,592	59	–
Amounts due to minority shareholders	1,043	1,041	210	–
Amounts due to associates	<u>–</u>	<u>–</u>	<u>39,207</u>	<u>1,041</u>
	<u>13,808</u>	<u>7,911</u>	<u>73,961</u>	<u>5,044</u>
	<u>114,729</u>	<u>81,494</u>	<u>179,217</u>	<u>158,295</u>

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

	As at 31 March 2006 HK\$'000	As at 31 March 2007 HK\$'000	As at 31 March 2008 HK\$'000	As at 30 September 2008 HK\$'000
0-90 days	36,806	32,515	37,982	31,611
91-180 days	5,596	3,646	2,257	6,302
181-365 days	8,050	4,746	8,166	4,027
Over 365 days	<u>24,450</u>	<u>20,820</u>	<u>19,518</u>	<u>22,483</u>
	<u>74,902</u>	<u>61,727</u>	<u>67,923</u>	<u>64,423</u>

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 dates:

	As at 31 March 2006 HK\$'000	As at 31 March 2007 HK\$'000	As at 31 March 2008 HK\$'000	As at 30 September 2008 HK\$'000
Contract costs incurred plus recognized profits less recognized losses to date	430,520	308,331	849,294	1,266,099
Less: progress billings	(456,539)	(320,187)	(886,627)	(1,354,927)
Amounts due to contract customers	<u>(26,019)</u>	<u>(11,856)</u>	<u>(37,333)</u>	<u>(88,828)</u>

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

27. BANK BORROWINGS, SECURED

	As at 31 March 2006 HK\$'000	As at 31 March 2007 HK\$'000	As at 31 March 2008 HK\$'000	As at 30 September 2008 HK\$'000
Mortgage loan	4,305	3,504	—	—
Term loan	1,620	—	—	—
Trust receipt loans	13,116	—	—	—
Bank overdrafts	64	—	—	—
	<u>19,105</u>	<u>3,504</u>	<u>—</u>	<u>—</u>
Carrying amount repayable:				
On demand or within one year	15,602	846	—	—
More than one year, but not exceeding two years	801	848	—	—
More than two years, but not more than five years	2,405	1,810	—	—
More than five years	297	—	—	—
	<u>19,105</u>	<u>3,504</u>	<u>—</u>	<u>—</u>
Less: Amounts due within one year shown under current liabilities	<u>(15,602)</u>	<u>(846)</u>	<u>—</u>	<u>—</u>
	<u>3,503</u>	<u>2,658</u>	<u>—</u>	<u>—</u>

At 30 September 2008, the Group's banking facilities were supported by the following:

- (i) pledged deposits of approximately HK\$24,045,000 of the Group;
- (ii) corporate guarantees executed by the Company in respect of banking facilities granted to certain subsidiaries of the Company; and
- (iii) cross guarantees amongst certain subsidiaries of the Company.

In the opinion of the directors, no material liabilities will arise from the above corporate guarantees which arose in the ordinary course of business and the fair value of the corporate guarantees granted by the Company is immaterial.

28. PROMISSORY NOTES

On 26 March 2008, the Company issued a promissory note with a principal amount of HK\$120,000,000 to the vendor as part of the purchase consideration for the acquisition of the entire equity interests in Farrell Global Limited (note 31). The promissory note payable is transferable, unsecured, interest-free and has a fixed term of five years from the date of issue.

On 23 May 2008, the Company received three promissory notes with principal amounts of HK\$40,000,000, HK\$40,000,000 and HK\$41,000,000 respectively from the purchaser as part of the purchase consideration for the disposal of the entire interests in Wing Hing Group (BVI) Limited (note 31). The promissory notes receivables are transferable, unsecured, interest-free and have maturity dates of 30 June 2008, 30 September 2008 and 31 December 2008 respectively.

29. SHARE CAPITAL

	<i>Notes</i>	Number of shares	Share capital HK\$'000
Authorized			
At 1 April 2005 and 31 March 2006 (Ordinary shares of HK\$0.1 each)		1,000,000,000	100,000
Share consolidation	(b)	(900,000,000)	–
At 31 March 2007 and 31 March 2008 (Ordinary shares of HK\$1 each)		100,000,000	100,000
Increase on 16 September 2008	(d)	50,000,000	50,000
At 30 September 2008		<u>150,000,000</u>	<u>150,000</u>
Issued and fully paid			
At 1 April 2005 (Ordinary shares of HK\$0.1 each)		287,500,000	28,750
Issue of shares upon conversion of convertible notes		57,500,000	5,750
Issue of shares for acquisition of additional interest in a subsidiary	(a)	17,000,000	1,700
At 31 March 2006 and 1 April 2006 (Ordinary shares of HK\$0.1 each)		362,000,000	36,200
Share consolidation	(b)	(325,800,000)	–
Rights issue	(c)	18,100,000	18,100
At 31 March 2007 and 1 April 2007 (Ordinary shares of HK\$1 each)		54,300,000	54,300
Share issued on acquisition of subsidiaries		14,700,000	14,700
At 31 March 2008 (Ordinary shares of HK\$1 each)		69,000,000	69,000
Issue of placing shares pursuant to the placing agreement dated 1 August 2008	(e)	10,860,000	10,860
At 30 September 2008 (Ordinary shares of HK\$1 each)		<u>79,860,000</u>	<u>79,860</u>

Notes:

- (a) On 30 August 2005, the Company issued 5,000,000 unlisted warrants to Complete Success Limited at a warrant issue price of HK\$0.20 per warrant as part of the purchase consideration for acquisition of additional interest in a subsidiary. 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\$1.00 each in the capital of the Company at an adjusted subscription price of HK\$2.64 per share.
- (b) Pursuant to the resolutions passed by the Company's shareholders at the special general meeting of the Company held on 22 May 2006, every 10 existing ordinary shares of HK\$0.10 each in the issued and unissued share capital of the Company were consolidated into one consolidated share of HK\$1.00 ("Consolidated Share").

- (c) In June 2006, the Company completed a rights issue by issuing 18,100,000 shares of HK\$1.00 each at the subscription price of HK\$1.00 per share.
- (d) Pursuant to an ordinary resolution passed by the Company's shareholders on 16 September 2008, the authorized share capital of the Company was increased from HK\$10,000,000 to HK\$15,000,000 by the creation of an additional 500,000 shares of HK\$1.00 each. All new shares rank pari passu in all respects with the existing shares of the Company.
- (e) Pursuant to a placing agreement dated 1 August 2008, a total of 10,860,000 ordinary shares of HK\$1.00 each were issued to placees at the placing price of HK\$1.43 per share on 12 August 2008. The net proceeds were used as the general working capital of the Group.

30. CONVERTIBLE NOTES

On 12 May 2004, the Company entered into a conditional subscription agreement with Grand Legend Limited and Mr. Lo Chun Yang in respect of the subscription of a convertible note with an aggregate principal amount of HK\$11,500,000. The convertible note was 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 was eighteen calendar months after its date of issue. 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 in June 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 ranked pari passu in all respects with the then existing shares of the Company. The convertible note contained two components, liability and equity element. The equity element is presented in equity heading "Convertible loan note equity reserve". The effective interest rate of the liability component was 5.13% per annum.

On 7 May 2007, the Company entered into a conditional subscription agreement with Best Time International Limited in respect of the subscription of convertible note with an aggregate principal amount of HK\$15,000,000. 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 the second anniversary from the date of issue of the convertible note. The convertible note may be converted at the option of the subscriber at a conversion price of HK\$1.50 per ordinary share at any time after the date of issue of the convertible note and up to the maturity date. On 29 August 2007, the convertible note was redeemed at the principal amount of HK\$15,000,000. No interest expense was incurred on redemption.

	As at 31 March 2006 HK\$'000	As at 31 March 2007 HK\$'000	As at 31 March 2008 HK\$'000	As at 30 September 2008 HK\$'000
Liability component at beginning of the year/period	11,218	—	—	—
Liability component at date of issue	—	—	13,347	—
Interest charged	68	—	292	—
Interest paid/payable	(14)	—	(48)	—
Conversion of convertible note	(11,272)	—	—	—
Redemption of convertible note	—	—	(13,591)	—
	<u>—</u>	<u>—</u>	<u>(13,591)</u>	<u>—</u>
Liability component at end of the year/period	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

31. 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 28 August 2002 and unless otherwise terminated or amended, will remain in force for 10 years from that date.

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.

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

The Company has not granted any share options during the Relevant Periods. At 30 September 2008, there were no outstanding share options.

32. 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. 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 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; 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).

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:

		Year ended 31 March 2006
	<i>Notes</i>	<i>HK\$'000</i>
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.

(ii) Disposal of subsidiaries

On 13 July 2006, W. Hing Construction Company Limited ("WH Construction"), a wholly-owned subsidiary of the Company, entered into a conditional subscription agreement dated 13 July 2006 with Design Landscapes International (HK) Company Limited ("Design Landscapes"), pursuant to which WH Construction has agreed to subscribe 42,711 new shares of Design Landscapes for an aggregate cash consideration of HK\$93,110. On the same day, Mr Keith Jeferey Dood, an independent third party, entered into another conditional subscription agreement dated 13 July 2006 with Design Landscapes, pursuant to which Mr. Dood has agreed to subscribe 67,511 new shares of Design Landscapes for an aggregate cash consideration of HK\$147,174. Upon completion of the aforesaid subscription agreements, the interest of WH Construction in Design Landscapes was reduced from 51% to approximately 50%. Accordingly, the results of Design Landscapes were consolidated up to August 2006 and accounted for as an associate of the Group thereafter.

On 18 October 2006, Wing Hing BVI, a direct wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party (the "Purchaser") and the ultimate beneficial owner of the Purchaser, pursuant to which Wing Hing BVI agreed to sell and the Purchaser agreed to acquire the entire issued share capital of Anpoint Engineering Limited ("Anpoint"), an indirect wholly-owned subsidiary of the Company, for a consideration of HK\$1.00. Upon completion of the sale and purchase agreement, the Group has ceased to hold any equity interests in Anpoint.

On 2 January 2008, CHEC-CWF Joint Venture, a 51% owned subsidiary of the Group, was deregistered upon cessation of business.

On 3 January 2008, the Group disposed of its entire equity interests in Supertact Plastics Company Limited for a cash consideration of HK\$5.

On 28 February 2008, the Company entered into a conditional sale and purchase agreement (the "Disposal Agreement") with Heart Ace Limited (a connected person of the Company) to dispose of the entire equity interests in Wing Hing Group (BVI) Limited and its shareholder's loan for a total consideration of HK\$171,000,000 (the "Disposal").

Pursuant to the Disposal Agreement, a reorganization of the Group shall be conducted prior to completion of the Disposal. Upon completion of the reorganization, Wing Hing Group (BVI) Limited will directly hold the entire issued share capital of Sunny Engineering Limited and CSP (HK) Limited and indirectly hold 35% of the issued share capital of King Fine Development Limited, 8% of the issued share capital of Wealthy Star Development Limited, 39% of the registered and paid up capital of Veolia Water (Zhuhai) Wastewater Treatment Operations Company Limited and 40% of the registered and paid up capital of Veolia Water (Zhuhai) Wastewater Treatment Company Limited. Upon the completion of the Disposal Agreement on 30 April 2008, the Group has ceased to hold any equity interest in Wing Hing Group (BVI) Limited.

	Year ended 31 March 2007 HK\$'000	Year ended 31 March 2008 HK\$'000	Period ended 30 September 2008 HK\$'000
Net assets/(liabilities) disposed of:			
Property, plant and equipment	632	1	10,721
Investment properties	–	–	6,500
Prepaid lease payments	–	–	659
Interests in jointly-controlled entities	–	–	19,658
Interest in associate	–	–	4,909
Available-for-sale investment	–	–	1
Amount due from an investee entity	–	–	53,892
Deferred tax assets	–	145	–
Trade receivables	16,026	965	7
Other receivables	219	1,685	32,289
Bank balances and cash	13,916	536	1,535
Trade payables	(16,337)	(3,754)	(716)
Other payables and accruals	(201)	(12)	(1,559)
Amounts due to associates	(10,009)	–	(21,707)
Amounts due from/(to) minority shareholders	(2)	4,233	–
Current tax liabilities	(1,156)	–	(669)
Deferred tax liabilities	–	–	(1,406)
Minority interests	(3,382)	(2,951)	–
	(294)	848	104,114
Attributable goodwill	365	1,943	–
Release of contributed surplus	–	–	(1,781)
Release of assets revaluation reserves	(78)	–	(6,931)
	(7)	2,791	95,402
Gain/(Loss) on disposal of subsidiaries	3,843	(2,791)	72,046
	<u>3,836</u>	<u>–</u>	<u>167,448</u>
Satisfied by:			
Costs directly attributable to the disposal	–	–	(1,550)
Interest in associates	3,929	–	–
Cash consideration paid for acquisition of new shares of an associate	(93)	–	–
Cash consideration	–	–	50,000
Fair value of promissory notes receivables	–	–	118,998
	<u>3,836</u>	<u>–</u>	<u>167,448</u>
Net cash inflow/(outflow) arising on disposal:			
Cash consideration received	–	–	18,000
Cash received from promissory note receivables	–	–	40,000
Cash consideration paid for acquisition of new shares of an associate	(93)	–	–
Costs directly attributable to the disposal paid	–	–	(1,550)
Bank balances and cash disposed of	(13,916)	(536)	(1,535)
	<u>(14,009)</u>	<u>(536)</u>	<u>54,915</u>

(iii) Acquisition of subsidiaries for the year ended 31 March 2008

Pursuant to a sale and purchase agreement dated 10 January 2008, the Group acquired the entire equity interests in Farrell Global Limited and its shareholder's loan for an aggregate consideration of HK\$250,000,000.

	Year ended 31 March 2008 HK\$'000
Net assets acquired:	
Prepaid lease payments	194,285
Bank balances and cash	5
Accounts payable	(20)
Minority interests	(105,086)
	89,184
Goodwill on acquisition	89,829
	179,013
Satisfied by:	
Cash directly attributable to the acquisition	1,480
Cash consideration paid	20,000
Cash consideration payable (included in other payables and accruals at 31 March 2008)	30,000
Fair value of 14,700,000 consideration share issued	29,253
Fair value of promissory note issued	98,280
	179,013
Net cash outflow arising on acquisition:	
Cash consideration	(21,480)
Bank balances and cash acquired	5
	(21,475)

The fair value of the 14,700,000 consideration shares issued was determined by reference to the published share price at the date of exchange.

The fair value of the promissory note issued was determined by discounting the amounts payable to their present value at the date of exchange.

The goodwill arising on acquisition of Farrell Global Limited was attributable to the anticipated profitability of its business.

33. OPERATING LEASES**The Group as lessee**

At balance sheet dates, the Group had commitments for future minimum lease payments under non-cancelable operating leases which fall due as follows:

	As at 31 March 2006 HK\$'000	As at 31 March 2007 HK\$'000	As at 31 March 2008 HK\$'000	As at 30 September 2008 HK\$'000
Within one year	391	28	–	1,579
In the second to fifth year inclusive	–	–	–	1,638
	<u>391</u>	<u>28</u>	<u>–</u>	<u>3,217</u>

The Group as lessor

At balance sheet dates, the Group had contracted with tenants for the following future minimum lease payments:

	As at 31 March 2006 HK\$'000	As at 31 March 2007 HK\$'000	As at 31 March 2008 HK\$'000	As at 30 September 2008 HK\$'000
Within one year	9	–	264	–
In the second to fifth year inclusive	–	–	242	–
	<u>9</u>	<u>–</u>	<u>506</u>	<u>–</u>

34. CONTINGENT LIABILITIES

- (i) At 30 September 2008, the Group had executed guarantees in respect of performance bonds in favor of contract customers of approximately HK\$25,690,000. In addition, at 30 September 2008, 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 original contract sum of approximately HK\$85,392,000. 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.

At 30 September 2008, the Company had executed guarantees for approximately HK\$36,000,000 in respect of the general banking facilities granted to CHEC-CWF Limited (a jointly-controlled entity in which the Group has 30% equity interests).

At 30 September 2008, the Company had executed guarantees for approximately HK\$44,620,000 in respect of the general banking facilities granted to W. Hing Construction Company Limited and CWF Piling & Civil Engineering Company Limited (wholly-owned subsidiaries of the Company).

In the opinion of the directors, no material liabilities will arise from the above corporate guarantees which arose in the ordinary course of business and the fair value of the corporate guarantees granted by the Company is immaterial.

- (ii) At 30 September 2008, 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 at 30 September 2008 has already been accounted for in presenting the financial information.
- (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.
- (iv) 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\$2.6 million at 30 September 2008. 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.
- (v) 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.

- (vi) 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.

35. RETIREMENT BENEFIT PLANS

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the scheme, which contribution is matched by employees. The total amount contributed by the Group to the scheme and charged to the consolidated income statement amounted to approximately HK\$1,875,000, HK\$3,035,000, HK\$1,462,000, HK\$811,000 and HK\$806,000 for each of the three years ended 31 March 2006, 2007 and 2008 and the periods ended 30 September 2007 and 2008, respectively. At 30 September 2008, there were no forfeited contributions available for the Group to offset contributions payable in future years.

36. PLEDGED OF ASSETS

Assets with the following carrying amounts have been pledged to secure general bank facilities granted to the Group:

	As at 31 March 2006 HK\$'000	As at 31 March 2007 HK\$'000	As at 31 March 2008 HK\$'000	As at 30 September 2008 HK\$'000
Investment properties	4,400	4,800	6,500	–
Leasehold land and buildings	10,392	10,675	10,630	–
Bank deposits	20,944	16,675	21,860	24,045
	<u>35,736</u>	<u>32,150</u>	<u>38,990</u>	<u>24,045</u>

37. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the financial information, the Group entered into the following significant related party transactions during the Relevant Periods:

		Year ended 31 March 2006 HK\$'000	Year ended 31 March 2007 HK\$'000	Year ended 31 March 2008 HK\$'000	Period ended 30 September 2007 HK\$'000	Period ended 30 September 2008 HK\$'000
	Notes					
Service fee income from jointly-controlled entities	(i)	(9,630)	(40,366)	(1,549)	(3,401)	(1,147)
Service fee income from associates	(i)	(125)	(371)	(2,045)	(1,708)	(1,113)
Sales of materials to a jointly-controlled entity	(ii)	(12,406)	(12,123)	(6,522)	(5,173)	–
Purchases of finished goods from a jointly-controlled entity	(ii)	18,505	18,473	12,325	9,338	–
Subcontracting fee paid to a jointly-controlled entity	(iii)	6,849	–	–	–	–
Contract sum received and receivable from jointly-controlled entities	(iv)	(3,473)	(304)	–	–	–
Contract sum received and receivable from an associate	(iv)	<u>–</u>	<u>(685)</u>	<u>(7,088)</u>	<u>–</u>	<u>–</u>

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 sales of materials and purchases 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.

II. SUBSEQUENT EVENTS

- (a) On 20 June 2008, Bless Luck International Limited, a wholly owned subsidiary of the Company, entered into a conditional sale and purchase agreement with Ms. Cheung Oi Chun, pursuant to which Bless Luck International Limited agreed to acquire and Ms. Cheung Oi Chun agreed to sell the sale share (representing 70% of the entire issued share capital of Union Sense Development Limited) for a total consideration of HK\$210,000,000. The transaction constitutes a very substantial acquisition on the part of the Company under the Listing Rules and is subject to the approval of the Company's shareholders at a special general meeting of the Company.
- (b) On 31 December 2008, CWS International Trading Limited, a wholly owned subsidiary of the Company, entered into a conditional sale and purchase agreement with Ms. Liu Pui Lan, pursuant to which Ms. Liu Pui Lan agreed to acquire and the Company agreed to sell the sale shares (representing the entire issued share capital of Farrell Global Limited, a wholly owned subsidiary of the Company) and the sale loan (representing all obligations, liabilities and debts owing or incurred by Farrell Global Limited to the Company on or at any time prior to completion of the aforesaid transaction) for a total consideration of HK\$120,000,000. The underlying assets to be disposed by the Company comprise the Company's interests in the entire issued share capital of Farrell Global Limited, the entire issued share capital of Asia Biodiesel and Renewable Energy (Mongolia) Company Limited, and 55% of the registered and paid up capital of 內蒙古蒙威生物油環保製品有限公司 (Transliterated as Inner Mongolia Meng Wei Biodiesel and Environmental Protection Products Company Limited) (collectively referred to as the "Target Group"). The transaction constitutes a very substantial disposal and connected transaction on the part of the Company under the Listing Rules and is subject to the approval of the Company's independent shareholders at a special general meeting of the Company to be held and convened.

- (i) Included in the consolidated income statements of the Group are the results of the Target Group during the Relevant Periods which are presented on a combined basis after elimination of intra-entity transactions:

	Year ended 31 March 2006 HK\$'000	Year ended 31 March 2007 HK\$'000	Year ended 31 March 2008 HK\$'000	Period ended 30 September 2007 HK\$'000	Period ended 30 September 2008 HK\$'000
Revenue	—	—	—	—	—
Administrative and operating expenses	—	—	(4,629)	—	(2,313)
Loss before tax	—	—	(4,629)	—	(2,313)
Income tax expense	—	—	—	—	—
Loss for the year/period	<u>—</u>	<u>—</u>	<u>(4,629)</u>	<u>—</u>	<u>(2,313)</u>

- (ii) Included in the consolidated balance sheets of the Group are the assets and liabilities of the Target Group at the balance sheet dates which are presented on a combined basis after elimination of intra-entity transactions:

	As at 31 March 2006 HK\$'000	As at 31 March 2007 HK\$'000	As at 31 March 2008 HK\$'000	As at 30 September 2008 HK\$'000
Non-current assets				
Prepaid lease payments	—	—	189,659	187,346
Goodwill	—	—	89,829	89,829
	<u>—</u>	<u>—</u>	<u>279,488</u>	<u>279,488</u>
Current assets				
Bank balances	—	—	5	7
	<u>—</u>	<u>—</u>	<u>5</u>	<u>7</u>
Current liabilities				
Trade and other payables	—	—	23	25
Amounts due to the Remaining Group	—	—	90,020	90,020
	<u>—</u>	<u>—</u>	<u>90,043</u>	<u>90,025</u>
Net current liabilities	—	—	(90,038)	(90,018)
Total assets less current liabilities	<u>—</u>	<u>—</u>	<u>189,450</u>	<u>189,470</u>

- (iii) Included in the consolidated cash flow statements of the Group are the cash flows of the Target Group during the Relevant Periods which are presented on a combined basis after elimination of intra-entity transactions:

	Year ended 31 March 2006 HK\$'000	Year ended 31 March 2007 HK\$'000	Year ended 31 March 2008 HK\$'000	Period ended 30 September 2007 HK\$'000	Period ended 30 September 2008 HK\$'000
Operating activities					
Loss for the year/period	–	–	(4,629)	–	(2,313)
Adjustments for:					
Amortization of prepaid lease payments	–	–	4,626	–	2,313
Operating cash flows before movements in working capital	–	–	(3)	–	–
Other payables and accruals	–	–	3	–	2
Net cash generated by operating activities	–	–	–	–	2
Net increase in cash and cash equivalents	–	–	–	–	2
Cash and cash equivalents brought forward	–	–	5	–	5
Cash and cash equivalents carried forward	<u>–</u>	<u>–</u>	<u>5</u>	<u>–</u>	<u>7</u>

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited consolidated financial statements of the Group have been prepared in respect of any period subsequent to 30 September 2008.

Yours faithfully,
HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants
Hong Kong

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP**Unaudited Pro Forma Consolidated Assets and Liabilities Statement**

The unaudited pro forma consolidated assets and liabilities statement of the Remaining Group (the “Unaudited Pro Forma Consolidated Assets and Liabilities Statement”) has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Disposal as if the Disposal had been completed on 31 March 2008.

The Unaudited Pro Forma Consolidated Assets and Liabilities Statement is based on the audited consolidated balance sheet of the Group as at 31 March 2008 as extracted from Appendix III to this circular, after making pro forma adjustments relating to the Disposal that are (i) directly attributable to the transaction and (ii) factually supportable.

The Unaudited Pro Forma Consolidated Assets and Liabilities Statement is based on a number of assumptions, estimates and uncertainties. Accordingly, the Unaudited Pro Forma Consolidated Assets and Liabilities Statement does not purport to describe the actual financial position of the Remaining Group that would have been attained had the Disposal been completed on 31 March 2008. The Unaudited Pro Forma Consolidated Assets and Liabilities Statement does not purport to predict the future financial position of the Remaining Group.

The Unaudited Pro Forma Consolidated Assets and Liabilities Statement should be read in conjunction with the historical financial information of the Group as set out in Appendix III to this circular and other financial information included elsewhere in this circular. The Unaudited Pro Forma Consolidated Assets and Liabilities Statement does not take account of any trading or other transactions subsequent to the dates of the respective financial statements of the companies comprising the Group included in the Unaudited Pro Forma Consolidated Assets and Liabilities Statement.

The Unaudited Pro Forma Consolidated Assets and Liabilities Statement has been prepared by the Directors for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Remaining Group following completion of the Disposal or at any future date.

APPENDIX IV
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE REMAINING GROUP**

	The Group as at 31 March 2008 HK\$'000	Pro forma adjustment HK\$'000 (Note 1)	Pro forma adjustment HK\$'000 (Note 2)	Pro forma Remaining Group HK\$'000
Non-current assets				
Property, plant and equipment	16,594	–	–	16,594
Prepaid lease payments	190,318	(189,659)	–	659
Investment property	6,500	–	–	6,500
Goodwill	89,829	(89,829)	–	–
Interests in associates	22,253	–	–	22,253
Interests in jointly-controlled entities	14,792	–	–	14,792
Available-for-sale investment	1	–	–	1
Amount due from an investee entity	53,796	–	–	53,796
Contract retention receivables	10,484	–	–	10,484
Deferred tax assets	189	–	–	189
	<u>404,756</u>	<u>(279,488)</u>	<u>–</u>	<u>125,268</u>
Current assets				
Loan receivable	1,000	–	–	1,000
Trade and other receivables	98,496	–	–	98,496
Pledged bank deposits	21,860	–	–	21,860
Bank balances and cash	58,619	(5)	(2,500)	56,114
	<u>179,975</u>	<u>(5)</u>	<u>(2,500)</u>	<u>177,470</u>
Current liabilities				
Trade and other payables	179,217	(23)	–	179,194
Bank borrowings, secured	669	–	–	669
	<u>179,886</u>	<u>(23)</u>	<u>–</u>	<u>179,863</u>
Non-current liabilities				
Deferred tax liabilities	2,487	–	–	2,487
Promissory note payable	98,280	–	(98,280)	–
	<u>100,767</u>	<u>–</u>	<u>(98,280)</u>	<u>2,487</u>
Net assets/(liabilities)	<u><u>304,078</u></u>	<u><u>(279,470)</u></u>	<u><u>95,780</u></u>	<u><u>120,388</u></u>
Capital and reserves				
Share capital	69,000	–	–	69,000
Reserves	132,075	(176,467)	95,780	51,388
Equity attributable to the equity holders of the Company	201,075	(176,467)	95,780	120,388
Minority interests	103,003	(103,003)	–	–
Total equity	<u><u>304,078</u></u>	<u><u>(279,470)</u></u>	<u><u>95,780</u></u>	<u><u>120,388</u></u>

Notes to the Unaudited Pro Forma Consolidated Assets and Liabilities Statement:

1. The adjustment represents the exclusion of the assets and liabilities attributable to the Target Group as at 31 March 2008 as if the Disposal had been completed on 31 March 2008.
2. The adjustment represents the net consideration of approximately HK\$117,500,000 comprising (i) the Consideration of HK\$120,000,000 and (ii) the estimated expenses to be incurred in connection with the Disposal of approximately HK\$2,500,000. The Consideration shall be settled by the Purchaser by setting off against the outstanding principal amount of the promissory note in the principal amount of HK\$120,000,000 issued by the Company in favour of the Purchaser dated 26 March 2008. For accounting purpose, the promissory note with a principal amount of HK\$120,000,000 has a carrying value of approximately HK\$98,280,000 as at 31 March 2008 which is measured at amortized cost using the effective interest method. The difference between the principal amount and the carrying value of the promissory note of approximately HK\$21,720,000 as at 31 March 2008 represents the notional interest to be amortized through the term of the promissory note.

For the purpose of preparing the Unaudited Pro Forma Consolidated Assets and Liabilities Statement, it has been assumed that the promissory note issued by the Company dated 26 March 2008 had been transferred to the Purchaser as the Consideration of the Disposal, and the estimated expenses to be incurred in connection with the Disposal of approximately HK\$2,500,000 had been paid by the Group on 31 March 2008, as if the Disposal had been completed on 31 March 2008.

Unaudited Pro Forma Consolidated Income Statement

The unaudited pro forma consolidated income statement of the Remaining Group (the “Unaudited Pro Forma Consolidated Income Statement”) has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Disposal as if the Disposal had been completed at the beginning of the year ended 31 March 2008.

The Unaudited Pro Forma Consolidated Income Statement is based on the audited consolidated income statement of the Group for the year ended 31 March 2008 as extracted from Appendix III to this circular, after making pro forma adjustments relating to the Disposal that are (i) directly attributable to the transaction and (ii) factually supportable.

The Unaudited Pro Forma Consolidated Income Statement is based on a number of assumptions, estimates and uncertainties. Accordingly, the Unaudited Pro Forma Consolidated Income Statement does not purport to describe the actual results of the Remaining Group that would have been attained had the Disposal been completed at the beginning of the year ended 31 March 2008. The Unaudited Pro Forma Consolidated Income Statement does not purport to predict the future results of the Remaining Group.

The Unaudited Pro Forma Consolidated Income Statement should be read in conjunction with the historical financial information of the Group as set out in Appendix III to this circular and other financial information included elsewhere in this circular. The Unaudited Pro Forma Consolidated Income Statement does not take account of any trading or other transactions subsequent to the dates of the respective financial statements of the companies comprising the Group included in the Unaudited Pro Forma Consolidated Income Statement.

APPENDIX IV**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE REMAINING GROUP**

The Unaudited Pro Forma Consolidated Income Statement has been prepared by the Directors for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the results of the Remaining Group had the Disposal been completed at the beginning of the year ended 31 March 2008 or for any future period.

	The Group for the year ended 31 March 2008	Pro forma adjustment	Pro forma adjustment	Pro forma Remaining Group
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(Note 3)</i>	<i>(Note 4)</i>	
Revenue	513,387	–	–	513,387
Cost of sales	(490,108)	–	–	(490,108)
Gross profit	23,279	–	–	23,279
Other income	8,735	–	–	8,735
Other gains and losses	(5,642)	–	–	(5,642)
Estimated loss on the Disposal	–	–	(61,513)	(61,513)
Administrative and operating expenses	(34,919)	4,629	–	(30,290)
Share of profits of associates	21,484	–	–	21,484
Share of losses of jointly-controlled entities	(4,847)	–	–	(4,847)
Finance costs	(484)	–	(21,720)	(22,204)
Profit before tax	7,606	4,629	(83,233)	(70,998)
Income tax expense	(1,585)	–	–	(1,585)
Profit for the year	<u>6,021</u>	<u>4,629</u>	<u>(83,233)</u>	<u>(72,583)</u>

Notes to the Unaudited Pro Forma Consolidated Income Statement:

- The adjustment represents the exclusion of the income and expenses attributable to the Target Group for the year ended 31 March 2008 as if the Disposal had been completed on 1 April 2007. This adjustment is not expected to have a continuing effect on the Remaining Group.
- The adjustment represents the estimated loss on the Disposal of approximately HK\$61,513,000 which is calculated based on (i) the net consideration of approximately HK\$117,500,000 (representing the Consideration of HK\$120,000,000 less the estimated expenses to be incurred in connection with the Disposal of approximately HK\$2,500,000); and (ii) the adjusted net assets attributable to the Target Group as at 31 December 2007 of approximately HK\$179,013,000 (representing the net liabilities attributable to the equity holder of the Target Group of approximately HK\$836,000 less the amounts due to the Remaining Group of approximately HK\$90,020,000, plus goodwill of approximately HK\$89,829,000 attributable to the Target Group), as if the Disposal had been completed on 1 April 2007. This adjustment is not expected to have a continuing effect on the Remaining Group.

The pro forma adjustment of approximately HK\$21,720,000 made to finance costs represents unwinding of notional interest on the promissory note payable.

Since the actual carrying amounts of the assets and liabilities attributable to the Target Group on Completion may be different from the amounts used in the preparation of the Unaudited Pro Forma Consolidated Income Statement, the actual gain or loss on the Disposal may be materially different from the estimated amount shown above.

Unaudited Pro Forma Consolidated Cash Flow Statement

The unaudited pro forma consolidated cash flow statement of the Remaining Group (the “Unaudited Pro Forma Consolidated Cash Flow Statement”) has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Disposal as if the Disposal had been completed at the beginning of the year ended 31 March 2008.

The Unaudited Pro Forma Consolidated Cash Flow Statement is based on the audited consolidated cash flow statement of the Group for the year ended 31 March 2008 as extracted from Appendix III to this circular, after making pro forma adjustments relating to the Disposal that are (i) directly attributable to the transaction and (ii) factually supportable.

The Unaudited Pro Forma Consolidated Cash Flow Statement is based on a number of assumptions, estimates and uncertainties. Accordingly, the Unaudited Pro Forma Consolidated Cash Flow Statement does not purport to describe the actual cash flows of the Remaining Group that would have been attained had the Disposal been completed at the beginning of the year ended 31 March 2008. The Unaudited Pro Forma Consolidated Cash Flow Statement does not purport to predict the future cash flows of the Remaining Group.

The Unaudited Pro Forma Consolidated Cash Flow Statement should be read in conjunction with the historical financial information of the Group as set out in Appendix III to this circular and other financial information included elsewhere in this circular. The Unaudited Pro Forma Consolidated Cash Flow Statement does not take account of any trading or other transactions subsequent to the dates of the respective financial statements of the companies comprising the Group included in the Unaudited Pro Forma Consolidated Cash Flow Statement.

The Unaudited Pro Forma Consolidated Cash Flow Statement has been prepared by the Directors for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the cash flows of the Remaining Group had the Disposal been completed at the beginning of the year ended 31 March 2008 or for any future period.

APPENDIX IV
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE REMAINING GROUP**

	The Group for the year ended 31 March 2008	Pro forma adjustment	Pro forma adjustment	Pro forma Remaining Group
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(Note 5)</i>	<i>(Note 6)</i>	
Operating activities				
Profit/(Loss) for the year	6,021	4,629	(83,233)	(72,583)
Adjustments for:				
Estimated loss on the Disposal	–	–	61,513	61,513
Amortization of prepaid lease payments	4,642	(4,626)	–	16
Depreciation for property, plant and equipment	4,480	–	–	4,480
Loss on disposal of subsidiaries	2,791	–	–	2,791
Gain on fair value changes of an investment property	(1,700)	–	–	(1,700)
Loss on fair value changes of property, plant and equipment	5	–	–	5
Impairment loss recognized in respect of trade receivables	1,185	–	–	1,185
Impairment loss reversed in respect of trade receivables	(1,155)	–	–	(1,155)
Impairment loss recognized in respect of amounts due from associates	6,198	–	–	6,198
Interest income	(1,809)	–	–	(1,809)
Gain on disposal of property, plant and equipment	(1,365)	–	–	(1,365)
Gain on disposal of an associate	(2)	–	–	(2)
Gain on early redemption of convertible loan note	(48)	–	–	(48)
Bad debt recovery	(19)	–	–	(19)
Write back of other receivables	599	–	–	599
Write back of long outstanding payables	(847)	–	–	(847)
Share of profits of associates	(21,484)	–	–	(21,484)
Share of losses of jointly-controlled entities	4,847	–	–	4,847
Finance costs	484	–	21,720	22,204
Income tax expense	1,585	–	–	1,585
Operating cash flows before movements in working capital	4,408	3	–	4,411
Trade receivables	2,525	–	–	2,525
Balances with jointly-controlled entities	1,435	–	–	1,435
Balances with associates	56,427	–	–	56,427
Balances with minority shareholders	(601)	–	–	(601)
Prepayments, deposits and other receivables	(1,844)	–	–	(1,844)
Trade payables	35,519	–	–	35,519
Other payables and accruals	954	(3)	–	951

APPENDIX IV
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE REMAINING GROUP**

	The Group for the year ended 31 March 2008	Pro forma adjustment	Pro forma adjustment	Pro forma Remaining Group
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(Note 5)</i>	<i>(Note 6)</i>	
Cash generated from operations	98,823	–	–	98,823
Interest paid	(192)	–	–	(192)
Net cash generated by operating activities	<u>98,631</u>	<u>–</u>	<u>–</u>	<u>98,631</u>
Investing activities				
Estimated expenses to be incurred in connection with the Disposal	–	–	(2,500)	(2,500)
Interest received	1,809	–	–	1,809
Purchase of property, plant and equipment	(372)	–	–	(372)
Acquisition of subsidiaries	(21,475)	21,475	–	–
Disposal of subsidiaries	(536)	–	–	(536)
Amounts advanced to associates	(1,000)	–	–	(1,000)
Amounts advanced to an investee entity	(37,192)	–	–	(37,192)
Amounts advanced to a jointly-controlled entity	(10,330)	–	–	(10,330)
Proceeds from disposal of property, plant and equipment	4,031	–	–	4,031
Increase in pledged bank deposits	(5,185)	–	–	(5,185)
Net cash generated by/(used in) investing activities	<u>(70,250)</u>	<u>21,475</u>	<u>(2,500)</u>	<u>(51,275)</u>
Financing activities				
Repayment of bank borrowings	(3,504)	–	–	(3,504)
Proceeds from new trust receipts loans	5,960	–	–	5,960
Repayment of trust receipts loans	(5,960)	–	–	(5,960)
Proceeds from issue of convertible note	15,000	–	–	15,000
Redemption of convertible note	(15,000)	–	–	(15,000)
Net cash generated by financing activities	<u>(3,504)</u>	<u>–</u>	<u>–</u>	<u>(3,504)</u>
Net increase/(decrease) in cash and cash equivalents	24,877	21,475	(2,500)	43,852
Cash and cash equivalents brought forward	<u>33,742</u>	<u>–</u>	<u>–</u>	<u>33,742</u>
Cash and cash equivalents carried forward	<u>58,619</u>	<u>21,475</u>	<u>(2,500)</u>	<u>77,594</u>

Notes to the Unaudited Pro Forma Consolidated Cash Flow Statement:

5. The adjustment represents the exclusion of the cash flows attributable to the Target Group for the year ended 31 March 2008 as if the Disposal had been completed on 1 April 2007. This adjustment is not expected to have a continuing effect on the Remaining Group. The pro forma adjustment of approximately HK\$21,475,000 to the unaudited pro forma consolidated cash flow statement under the item “Acquisition of subsidiaries” represents the net cash outflow arising on the original acquisition of the entire equity interests in the Target Group comprising (i) cash consideration of approximately HK\$21,480,000 paid for the acquisition; and (ii) bank balances and cash of subsidiaries acquired of approximately HK\$5,000.
6. The adjustment represents the estimated expenses to be incurred in connection with the Disposal of approximately HK\$2,500,000. This adjustment is not expected to have a continuing effect on the Remaining Group.

For the purpose of preparing the Unaudited Pro Forma Consolidated Cash Flow Statement, it has been assumed that the estimated expenses to be incurred in connection with the Disposal of approximately HK\$2,500,000 had been paid by the Group on 1 April 2007, as if the Disposal had been completed on 1 April 2007.

**B. ACCOUNTANTS' REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE REMAINING GROUP**

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, received from the auditors of the Company, HLB Hodgson Impey Cheng, Chartered Accountants, Certified Public Accountants, Hong Kong.



國 衛 會 計 師 事 務 所
Hodgson Impey Cheng

Chartered Accountants
Certified Public Accountants

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

12 February 2009

The Board of Directors
Wing Hing International (Holdings) Limited
14th Floor
Yau Lee Centre
45 Hoi Yuen Road
Kowloon
Hong Kong

Dear Sirs,

**ACCOUNTANTS' REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE REMAINING GROUP****Introduction**

We report on the unaudited pro forma financial information of Wing Hing International (Holdings) Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") as set out in Section A entitled "Unaudited Pro Forma Financial Information of the Remaining Group" of Appendix IV (the "Pro Forma Financial Information") to the Company's circular dated 12 February 2009 (the "Circular") in connection with the very substantial disposal and connected transaction whereby the Company proposes to dispose of the Sale Shares and the Sale Loan (both terms as defined in the Circular) to Ms. Lui Pui Lan. The Pro Forma Financial Information has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the Disposal (as defined in the Circular) might have affected the financial information presented. The basis of preparation of the Pro Forma Financial Information is set out in Section A of Appendix IV of the Circular.

Respective responsibilities of the directors of the Company and the reporting accountants

It is the responsibility solely of the directors of the Company to prepare the Pro Forma Financial Information in accordance with Rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by Rule 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements (HKSIR) 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the Pro Forma Financial Information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Pro Forma Financial Information as disclosed pursuant to Rule 4.29(1) of the Listing Rules.

The Pro Forma Financial Information has been prepared for illustrative purposes only, based on the judgments and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the financial position of the Group as at 31 March 2008 or any future date; or
- the results or cash flows of the Group for the year ended 31 March 2008 or for any future periods.

Opinion

In our opinion:

- a. the Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- b. such basis is consistent with the accounting policies of the Group; and
- c. the adjustments are appropriate for the purposes of the Pro Forma Financial Information as disclosed pursuant to Rule 4.29(1) of the Listing Rules.

Yours faithfully,

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants
Hong Kong

1. INDEBTEDNESS**Borrowings**

As at the close of business on 31 January 2009, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had no secured interest-bearing bank borrowings.

As at 31 January 2009, the Group's banking facilities were supported by the pledged deposits of approximately HK\$24,045,000 of the Group.

Contingent liabilities

As at 31 January 2009, the Group had executed guarantees in respect of performance bonds in favor of contract customers of approximately HK\$25,690,000. In addition to the above, as at 31 January 2009, 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.

As at 31 January 2009, the Group had executed guarantees for HK\$36,000,000 in respect of the general banking facilities granted to the Group's jointly-controlled entity.

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 approximately HK\$2,600,000 as at 31 January 2009. The contingent liability has arisen because, at 30 June 2008, 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. No provision has been recognised in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Group.

As at the close of business on 31 January 2009, the Group was involved in various lawsuits and claims arising in the normal course of its business from which contingent liabilities might arise, a summary of which is set out in the paragraph headed "Litigation" in Appendix VI to this circular.

Disclaimer

Save as referred to in this section and apart from intra-group liabilities and normal trade payables, the Group did not have, at the close of business on 31 January 2009, any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans, or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, obligations under hire purchases contracts or finance leases, guarantees, or other material contingent liabilities.

2. WORKING CAPITAL

Taking into account the internally generated funds and the presently available credit facilities, the Directors are of the opinion that the Group will, following the completion of the Disposal, have sufficient working capital for its present requirements, that is for at least 12 months from the date of this circular, in the absence of unforeseeable circumstances.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this document and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

(a) Director's interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, were as follows:

Name of Director	Number or attributable number of Shares held or short positions	Nature of interests Interest of controlled corporation	Beneficial owner	Approximate percentage or attributable percentage of shareholding (%)
Ng Tat Leung George	15,690,069 (L)	10,772,700 (L) (Note)	4,917,369 (L)	17.46
Lui Siu Yee	30,600 (L)	–	30,600 (L)	0.03
Wong Teck Ming	30,000 (L)	–	30,000 (L)	0.03

L: Long Position

Note:

These Shares were registered in the name of Total Success Worldwide Limited. The issued share capital of Total Success Worldwide Limited is owned as to approximately 92.92% by Ng Tat Leung, George, the chairman of the Company and the managing Director, and as to approximately 7.08% by Wong Teck Ming, an executive Director.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

(b) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial Shareholders

So far as is known to the Directors and the chief executive of the Company, as at the Latest Practicable Date, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name of Shareholder	Number or attributable number of Shares held or short positions	Nature of interests	Approximate percentage or attributable percentage of shareholding (%)
Liu Pui Lan	11,700,000 (L)	Beneficial owner	13.02
Total Success Worldwide Limited (Note 1)	10,772,700 (L)	Beneficial owner	11.99
Cheung Oi Chun	10,000,000 (L)	Beneficial owner	11.12
Grand Legend Limited (Note 2)	5,750,000 (L)	Beneficial owner	6.4
Lo Chun Yang (Note 2)	5,750,000 (L)	Interest of controlled corporation	6.4
Loh Siu Yin, Lulu (Note 2)	5,750,000 (L)	Interest of spouse	6.4
Toplite Global Capital Ltd.	5,587,550 (L)	Beneficial owner	6.21
Lam Yin Fong	5,587,550 (L)	Interest of controlled corporation	6.21

L: Long Position

Notes:

1. These Shares were registered in the name of Total Success Worldwide Limited. The issued share capital of Total Success Worldwide Limited is owned as to approximately 92.92% by Ng Tat Leung, George, the chairman of the Company and the managing Director, and as to approximately 7.08% by Wong Teck Ming, an executive Director.
2. The entire issued share capital of Grand Legend Limited is owned by Lo Chun Yang. Loh Siu Yin, Lulu is the spouse of Lo Chun Yang.

Save as disclosed above, as at the Latest Practicable Date, the Directors and the chief executive of the Company were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares, which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

As at the Latest Practicable Date, none of the Directors was a director or employee of a company which had, or was deemed to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by the members of the Group within the two years immediately preceding the date of this circular and are or may be material:

- (i) the subscription agreement dated 7 May 2007 and entered into among the Company, Best Time International Limited and Liu Chi Wah, Jimmy in respect of the subscription of the convertible note with an aggregate principal amount of HK\$15,000,000 by Best Time International Limited;
- (ii) the sale and purchase agreement dated 21 May 2007 and entered into between CWS International Trading Limited and Leung Pui Kwan in relation to the sale and purchase of the entire issued share capital of Charm Faith Group Limited at a consideration of HK\$150,000,000;
- (iii) the sale and purchase agreement dated 10 January 2008 entered into between CWS International Trading Limited and Liu Pui Lan in relation to the sale and purchase of the entire issued share capital of Farrell Global Limited and the shareholder's loan at a aggregate consideration of HK\$250,000,000;

- (iv) the sale and purchase agreement dated 28 February 2008 entered into between Heart Ace Limited and the Company in relation to the sale and purchase of the entire issued share capital of Wing Hing Group (BVI) Limited and the shareholder's loan at a aggregate consideration of HK\$171,000,000;
- (v) the sale and purchase agreement dated 20 June 2008 (as supplemented by the supplemental agreement dated 31 July 2008) entered into between Cheung Oi Chun and Bless Luck International Limited in relation to the sale and purchase of the 70% of the entire issued share capital of Union Sense Development Limited at a consideration of HK\$210,000,000;
- (vi) the placing agreement dated 1 August 2008 and entered into between the Company and Partners Capital Securities Limited in respect of the placing of 10,860,000 Shares at an issue price of HK\$1.43 per Share; and
- (vii) the Sale and Purchase Agreement.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

5. EXPERTS

The following are the qualification of the experts who have given opinions or advice which are contained in this circular:

Name	Qualifications
Asset Appraisal Limited	Professional valuer
HLB Hodgson Impey Cheng	Chartered Accountants Certified Public Accountants
VC Capital	A licensed corporation under the SFO to conduct type 1 and type 6 regulated activities (dealing in securities and advising on corporate finance)

Each of Asset Appraisal Limited, HLB Hodgson Impey Cheng and VC Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and report and references to its name in the form and context in which it appears.

As at the Latest Practicable Date, each of Asset Appraisal Limited, HLB Hodgson Impey Cheng and VC Capital does not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

6. LITIGATION

- (i) 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 up to 31 March 2008.
- (ii) 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.
- (iii) 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 total amount of the litigation claims cannot be quantified. As most of the litigation claims are personal injury claims and some of them have not reached the stage in which the amount of the claim can be calculated. 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 in the financial statements of the Group up to 31 March 2008.

Save as disclosed, no member of the Group is engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened against any member of the Group as at the Latest Practicable Date.

7. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial position or trading position of the Group since 31 March 2008, being the date to which the latest published audited financial statements of the Group was made up.

8. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors nor their respective associates had any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

9. MISCELLANEOUS

- (a) There is no contract or arrangement entered into by any member of the Group subsisting at the date of this circular in which any Director is materially interested and which is significant to the business of the Group.
- (b) As at the Latest Practicable Date, neither Asset Appraisal Limited, HLB Hodgson Impey Cheng, VC Capital nor any Directors had any direct or indirect interest in any assets which had been acquired, disposed of by or leased to, or which were proposed to be acquired, disposed of by or leased to, any member of the Group since 31 March 2008, the date to which the latest published audited consolidated financial statements of the Group were made up.
- (c) The principal share registrar and transfer office of the Company is Butterfield Fund Services (Bermuda) Limited whose address is Rosebank Centre, 11 Bermudiana Road, Pembroke, Bermuda.
- (d) Tricor Tengis Limited, the transfer office of the Company is located at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (e) The company secretary of the Company is Ngan Chi Keung, Mike. Mr Ngan is a fellow member of the Association of Chartered Certified Accountants and Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for inspection during normal business hours on Business Days at the office of the Company at 14th Floor, Yau Lee Centre, 45 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong from the date of this circular up to and including 4 March 2009 and at the SGM:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the material contracts referred to in the paragraph headed "Material contracts" in this Appendix;
- (c) the written consents of the experts referred to in the paragraph headed "Experts" in this Appendix;

- (d) the letter from the Independent Board Committee, the text of which is set out on page 17 in this circular;
- (e) the letter of advice from VC Capital to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 18 to 24 in this circular;
- (f) the valuation report on the property interests of the Target Group, the text of which is set out in Appendix I to this circular;
- (g) the valuation report on the PRC Subsidiary, the text of which is set out in Appendix II to this circular;
- (h) the accountants' report on the Group prepared by HLB Hodgson Impey Cheng, the text of which is set out in Appendix III to this circular;
- (i) the accountants' report from HLB Hodgson Impey Cheng on the unaudited pro forma financial information of the Remaining Group, the text of which is set out in Appendix IV to this circular;
- (j) the annual reports of the Company for each of the two financial years ended 31 March 2007 and 31 March 2008; and
- (k) circular of the Company dated 29 August 2008.

NOTICE OF SGM

WING HING INTERNATIONAL (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 621)



NOTICE IS HEREBY GIVEN that a special general meeting (the “**SGM**”) of the shareholders of Wing Hing International (Holdings) Limited (the “**Company**”) will be held at 14th Floor, Yau Lee Centre, 45 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong on Wednesday, 4 March 2009 at 11:00 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution of the Company:

ORDINARY RESOLUTION

“THAT

- (a) the conditional sale and purchase agreement (the “**Sale and Purchase Agreement**”) (a copy of which has been produced to the SGM marked “A” and signed by the chairman of the SGM for the purpose of identification) dated 31 December 2008 and entered into between CWS International Trading Limited (the “**Vendor**”), a wholly owned subsidiary of the Company, as vendor and Liu Pui Lan as purchaser in relation to the sale and purchase of one share of US\$1.00 each in the share capital of Farrell Global Limited (the “**Target**”) and the shareholder’s loan owing or incurred by the Target to the Vendor at completion at a consideration of HK\$120,000,000 and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified; and
- (b) any one or more of the directors of the Company be and is/are hereby authorised to do all such acts and things and execute all such documents which he/they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Sale and Purchase Agreement and the transactions contemplated thereunder.”

By order of the Board
Wing Hing International (Holdings) Limited
Ng Tat Leung, George
Chairman

Hong Kong, 12 February 2009

NOTICE OF SGM

Registered office:

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

*Head office and principal place of
business in Hong Kong:*

14th Floor
Yau Lee Centre
45 Hoi Yuen Road
Kwun Tong, Kowloon
Hong Kong

Notes:

1. A member entitled to attend and vote at the SGM is entitled to appoint one or more than one proxy to attend and, subject to the provisions of the bye-laws of the Company, to vote on his behalf. A proxy need not be a member of the Company but must be present in person at the SGM to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
2. A form of proxy for use at the SGM is enclosed. Whether or not you intend to attend the SGM in person, you are encouraged to complete and return the enclosed form of proxy in accordance with the instructions printed thereon. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the SGM or any adjournment thereof, should he so wish.
3. In order to be valid, the form of proxy, together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority must be deposited at Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof.
4. In the case of joint holders of shares, any one of such holders may vote at the SGM, either personally or by proxy, in respect of such share as if he was solely entitled thereto, but if more than one of such joint holder are present at the SGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.