榮康 WING HONG

WING HONG (HOLDINGS) LIMITED
榮康（控股）有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 745)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 MARCH 2007

The Board of Directors (the "Board") of Wing Hong (Holdings) Limited (the "Company") now announces the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2007, together with the comparative figures for the previous year, as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 March 2007

	Note	**2007** **HK$'000**	2006 HK$'000 (Restated)
Turnover — contract revenue	*4*	**64,368**	152,701
Contract cost		**(64,508)**	(145,469)
Gross (loss)/profit		**(140)**	7,232
Other revenue	*4*	**2,024**	1,873
Other income	*5*	**1,223**	36
Administrative expenses		**(21,759)**	(21,777)
Other operating expenses		**(4)**	(4)
Loss from operating activities	*5*	**(18,656)**	(12,640)
Finance costs		**(2,528)**	(1,851)
Loss before tax		**(21,184)**	(14,491)
Taxation	*6*	**48**	78
Loss for the year		**(21,136)**	(14,413)
Attributable to:			
— Equity holders of the Company		**(20,411)**	(15,004)
— Minority interest		**(725)**	591
		(21,136)	(14,413)
Dividends	*7*	**—**	—
Loss per share			
— Basic	*8*	**(HK18.47 cents)**	(HK14.10 cents)
— Diluted	*8*	**N/A**	N/A

CONSOLIDATED BALANCE SHEET

At 31 March 2007

	Note	2007 HK$'000	2006 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**357**	567
Goodwill		**1,810**	1,810
Available-for-sales financial assets		**1,596**	—
Interest in a jointly-controlled entity		**1,247**	1,143
		5,010	3,520
Current assets			
Amount due from customers for contract work		**38,020**	41,571
Accounts receivable	9	**121,507**	129,275
Prepayments, deposits and other receivables		**14,915**	15,310
Loan to a shareholder		**200**	200
Tax recoverable		**606**	674
Pledged time deposits		**5,100**	5,100
Cash and cash equivalents		**32,239**	51,590
		212,587	243,720
Non-current assets classified as held for sale		**—**	2,200
Total assets		**217,597**	249,440
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**12,108**	10,640
Reserves		**100,430**	115,529
		112,538	126,169
Minority interests		**2,569**	3,294
Total equity		**115,107**	129,463

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

NOTES:

1. Summary of significant accounting policies

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

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

Judgments made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustments in the next year are discussed in the Company's Annual Report for the year ended 31 March 2007.

Basis of preparation

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

The financial statements have been prepared on a going concern basis, the validity of which depends upon the outcome of the arbitrations and recoverability of accounts receivable, the other receivable as stated in the Company's Annual Report for the year ended 31 March 2007 and the successful outcome of the Group's measures to satisfy its working capital needs and improve the liquidity position. The financial statements do not include any adjustments that would result from the Group fail to recover the accounts receivable and other receivable. If the accounts receivable and other receivable were not to be recovered or there was a failure as to the successful outcome of the working capital and liquidity position of the Group, adjustments would have to be made to the financial statements to reduce the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

Included in the consolidated balance sheet as at 31 March 2007 is an account receivable of approximately HK$120,459,000 (2006: HK$120,459,000) (the "Receivable Under Dispute"), recorded based on architect's certificates, currently withheld by a major customer of the Group with respect to disputes on claims arising from liquidated damages and alleged environmental related damages in relation to main contract work for a residential development project carried out in Kowloon Tong, Hong Kong, and the claim made by the Group on extension of time (the "EOT Claim") entitlement by the Group. The Receivable Under Dispute were certified by the architects of the residential development project.

As at the date of approval of these financial statements, the Group has initiated arbitration proceedings to recover the outstanding amount due and negotiations with the customer are still in progress. Despite that the full amount of the accounts receivable balance is being withheld by the major customer, a counter claim was made by the major customer against the Group in relation to claims arising from liquidated damages and alleged environmental related damages in relation to main contract works in a residential development project carried out in Hong Kong in the amount of approximately HK$122,480,000. In the opinion of the directors, based on legal advice, the major customer does not have sufficient grounds to their entitlement of the EOT Claim, and as a result, the resultant liquidated damages, if any, would not be significant to the Group's financial statements. The directors also considered that the Group has valid grounds to defend against the alleged environmental related damages claimed by the major customers and that the final amount being claimed, if any, would not have a material impact to the Group's financial position.

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

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

In the opinion of the directors, in light of the continual financial support from the major shareholders, the Group would have sufficient financial resources to satisfy its working capital needs for the foreseeable future. Accordingly, the directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

2. Application of new and revised Hong Kong Financial Reporting Standards

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

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

For details of the effect of changes in accounting policies, please refer to the Company's Annual Report for the year ended 31 March 2007.

3. Segment information

The Group's operating businesses are structured and managed separately, according to the nature of their operations and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

(a) the building construction segment engages in construction and foundation contract works as a main contractor or subcontractor for building construction in the private and public sectors;

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

(c) the corporate and others segment comprises the Group's management services and property holding businesses, which includes rental income and gain on disposal of investment properties, together with corporate income and expense items.

Business Segments

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

The Group

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

Geographical Segments

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

4. Turnover and revenue

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

An analysis of turnover and other revenue is as follows:

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

5. Loss from operating activities

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

	2007	2006
	HK$'000	*HK$'000*
Auditors' remuneration	**500**	500
Depreciation	**219**	303
Amount capitalised as contract costs	**(48)**	(182)
	171	121
Provision for impairment on accounts receivables	**4**	4
Staff costs (excluding directors' remuneration)		
— wages and salaries	**10,196**	16,649
— pension scheme contributions*	**385**	614
	10,581	17,263
Less: Amount of staff costs capitalised as contract costs	**(1,236)**	(1,977)
	9,345	15,286
Minimum lease payments under operating leases:		
— Land and buildings	**1,368**	1,244
Loss on disposal of investment properties	**229**	—

and after crediting:

Other income:

	2007	2006
Gain on disposal of property, plant and equipment	**(49)**	(32)
Gain on disposal of a subsidiary	**—**	(4)
Gain on disposal of financial assets at fair value through profit or loss	**(79)**	—
Reversal of accounts payable	**(1,095)**	—
	(1,223)	(36)

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

6. Taxation

No provision for Hong Kong profits tax has been made as the Group has no estimated assessable profits arising in Hong Kong during for year ended 31 March 2007 (2006: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

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

7. Dividends

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

8. Loss per share

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

9. Accounts receivable

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

Notes:

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

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

Interim applications for progress payments for contract works are normally made on a monthly basis. The Group allows an average credit period of 60 days to its contract customers. For retention money receivables in respect of contract works, the due dates are usually not more than three months after the issue of statements of the final accounts of the contract works. As at 31 March 2007, no retentions held by customers for contract work were included in accounts receivables (2006: Nil).

10. Accounts payable

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

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

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

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

11. Contingent liabilities

(a) At the balance sheet date, contingent liabilities of the Group and the Company were as follows:

(i) Guarantees given to financial institutions in respect of performance bonds by the Group of approximately HK$5,102,000 (2006: HK$5,102,000).

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

As at 31 March 2007, the guarantees given to banks in connection with facilities granted to subsidiaries by the Company were utilised to an extent of approximately HK$5,100,000 (2006: HK$5,100,000).

(b) In the normal course of business, the Group is subject to claims of liquidated damages by relevant employers due to a delay in completion of certain phases of construction contracts. The Group has filed extension of time claims with the relevant employers and the directors, based on legal advice, consider that the Group has valid reasons for the extension of time claims. As at the date of approval of these financial statements, and save as disclosed in the Company's Annual Report for the year ended 31 March 2007, the directors are of the opinion that the amount of the ultimate liquidated damages, if any, cannot be ascertained, however, any resulting liability would unlikely materially affect the financial position of the Group.

(c) On 7 August 2002, a High Court action had commenced by a subcontractor against a subsidiary of the Group in respect of (i) a claim of subcontracting fees and material costs of approximately HK$31,300,000; and (ii) a compensation claim of approximately HK$191,200,000 for the improper termination of a subcontacting contract. On 13 September 2002, an agreement was reached between the subsidiary of the Group and the subcontractor that the High Court action was withdrawn and all the disputes between the parties relating to this action were referred to arbitration. In the statement of claim for the arbitration, the subcontractor revised the claim of subcontracting fees and material costs and compensation claim to approximately HK$42,600,000 and HK$84,400,000, respectively. On 9 July 2005, a writ of summons was issued and the proceedings were transferred to the Court of First Instance. The subcontractor further revised the claim of subcontracting fees and material costs and compensation claim to approximately HK$56,000,000 and HK$278,100,000 respectively.

As at the date of approval of these financial statements, no decision had been made in the arbitration and court proceedings. In the opinion of the directors, based on legal advice, the subsidiary of the Group has valid defences, against such claims and any resulting liabilities would not have any material adverse impact on the Group's financial position. Therefore, no provision in respect of such claims was made in the financial statements.

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

No settlements have been reached and no judgments have been made against the subsidiaries of the Group in respect of the above actions. In the opinion of the directors, the above actions with seven employees were either covered by insurance or indemnified by a subcontractor and would not have any material adverse impact on the Group. Therefore, no provision in respect of such claim was made in the financial statements.

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

On 5 May 2005, the subsidiary of the Group and the nominated subcontractor agreed to enter into a moratorium period of six months to the arbitration. On 13 April 2006, the subsidiary of the Group and the nominated subcontractor further agreed to suspend the arbitration proceeding for three months subject to the rights to re-active the proceedings upon a three day written notice to the subsidiary of the Group. Since this date and up to the date of approval of these financial statements, the arbitration has been dormant and there has been no activity arisen by the parties.

In the opinion of the directors, based on legal advice, the claim was related to a payment being withheld in respect of subcontracting work delays and defects caused by the nominated subcontractor, and the resulting liabilities, if any, would not have material adverse impact on the Group's financial position.

(f) On 26 July 2005, a High Court action was commenced by a subcontracted party of a subcontractor of the Group (the "Subcontracted Party") against a subsidiary of the Group and the subcontractor, which is in liquidation, in respect of a claim of subcontracting fees and material costs of approximately HK$20,500,000 relating to a maintenance term contract. On 25 April 2006, the Subcontracted party substantially revised its statement of claim and the total amount of claim was revised to approximately HK$14,241,000. In the opinion of the directors, based on legal advice, the subsidiary of the Group has valid defences against such claims and any resulting liabilities would not have any material adverse impact on the Group's financial position. Therefore, no provision in respect of such claims was made in the financial statements.

(g) On 7 December 2006, a subsidiary of the Group received a notice of arbitration from a subcontractor in respect of a claim against the subsidiary of the Group in respect of subcontracting works performed in a residential development project in Kowloon Tong, Hong Kong. The amount of claim was approximately HK$5,629,000. On 24 February 2007, the subsidiary of the Group sought to counterclaim against the subcontractor of approximately HK$8,062,000.

As at the date of approval of these financial statements, no decision had been made in the arbitration. In the opinion of the directors, based on legal advice, the subsidiary of the Group has valid defences, against such claims and any resulting liabilities would not have any material adverse impact on the Group's financial position. Therefore, no provision in respect of such claims was made in the financial statements.

(h) On 28 March 2007, a subsidiary of the Group received a notice of arbitration from a nominated subcontractor in respect of a claim against the subsidiary of the Group in respect of subcontracting works performed in a residential development project in Kowloon Tong, Hong Kong. The amount of claim was approximately HK$3,253,000. On 29 June 2007, the subsidiary of the Group sought to counterclaim against the subcontractor of approximately HK$232,000 together with an order for indemnity for a sum amounting to approximately HK$4,389,000.

As at the date of approval of these financial statements, no decision had been made in the arbitration. In the opinion of the directors, based on legal advice, the subsidiary of the Group has valid defences, against such claims and any resulting liabilities would not have any material adverse impact on the Group's financial position. Therefore, no provision in respect of such claims was made in the financial statements.

EXTRACT FROM AUDITORS' REPORT

"Basis for Disclaimer of Opinion

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

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

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

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

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

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

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

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

Significant uncertainties relating to the going concern basis of the Group

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Building construction industry

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

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

Renovation and fitting out works

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

Prospects

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

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

FINANCIAL REVIEW

Liquidity and financing

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

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

Treasury policies

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

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

Pledge of assets

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

Employment information

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

CODE ON CORPORATE GOVERNANCE PRACTICE

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted the Model Code for securities transactions by Directors of listed issuers as set out in Appendix 10 to the Listing Rules. Upon specific enquiry by the Company, all Directors have confirmed that they fully complied with the Model Code throughout the year.

AUDIT COMMITTEE

The Audit Committee comprises three members and all of whom are independent non-executive directors of the Company. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial report matters. It has also reviewed the annual results for the year ended 31 March 2007.

By Order of the Board
WING HONG (HOLDINGS) LIMITED
Hui Chi Yung
Chairman

Hong Kong, 26 July 2007

As at the date of this announcement, the Board of directors comprises of three executive directors, being Mr. Hui Chi Yung, Mr. Yiu Kai Yeuk, Raphael and Mr. Hui Kau Mo and three independent non-executive directors, being Mr. Liu Kwong Sang, Mr. Sit Hing Wah and Dr. Hu Chung Kuen, David.

* *For identification purpose only*