



DICKSON GROUP HOLDINGS LIMITED

(In Liquidation)

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock Code: 313)

Annual Report 2007

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CORPORATE INFORMATION

Joint and Several Liquidators

Stephen LIU Yiu Keung
*(appointed by the High Court of the
HKSAR on 29 May 2007)*

Robert Armor MORRIS
*(appointed by the High Court of the
HKSAR on 29 May 2007)*

Executive Directors

LIN Xiong *(Chairman)*
CHIN Wai Kay, Geordie

Independent Non-Executive Directors

WONG Ying Sheung
YU Li Chi
(resigned on 16 December 2006)
YU Chi Wai
(resigned on 16 December 2006)

Company Secretary

LEE Ling Ling
(resigned on 15 December 2006)

Registered Office

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

Principal Office in Hong Kong

18th Floor
Two International Finance Centre
8 Finance Street
Central
Hong Kong

Auditor

Shu Lun Pan Horwath Hong Kong
CPA Limited

Hong Kong Share Registrars and Transfer Office

Secretaries Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

Principal Bankers (before commencement of Liquidation)

The Hongkong and Shanghai Banking
Corporation Limited
DBS Bank (Hong Kong) Limited
Nanyang Commercial Bank, Limited
CITIC Ka Wah Bank Limited
Industrial and Commercial Bank of
China (Asia) Limited

Solicitors

Appleby
P. C. Woo & Co.

Internet Address

<http://www.equitynet.com.hk/dickson>

Stock Code

313

REPORT OF THE LIQUIDATORS

The Joint and Several Liquidators (the “Liquidators”) herein present their report together with the audited financial statements of Dickson Group Holdings Limited (In Liquidation) (the “company”) and its subsidiaries (the “group”) for the year ended 31 March 2007.

The board has authorised the Liquidators to sign, approve, publish and do all such acts in connection with this report. The Liquidators are responsible for the accuracy and completeness of the contents of this report and the audited financial statements for the year ended 31 March 2007 in relation to (i) the affairs of the group after the appointment of the Liquidators; and (ii) the preparation of the contents of this report and the audited financial statements for the year ended 31 March 2007 based on the books and records made available to the Liquidators.

The Liquidators make no representation as to the completeness of the information contained in this report.

BUSINESS REVIEW

The main business activity of the company is in investment holding. Its major subsidiaries were in the building construction and maintenance industry. The group undertook building construction projects for both the public and private sectors. Its construction business included building work, design and construction and building maintenance. Its operations were located in Hong Kong and the People’s Republic of China (the “PRC”).

A winding-up petition against the company was filed on 30 June 2006 and the company was subsequently wound up by the High Court of Hong Kong on 18 December 2006. The Liquidators were appointed on 29 May 2007 pursuant to an Order of the High Court of Hong Kong. As such, the Liquidators do not have the same knowledge of the financial affairs of the group as the directors of the company would have, particularly in relation to the transactions entered into by the group prior to the appointment date.

LIQUIDITY AND FINANCIAL RESOURCES

The net cash outflow from operating activities for the year was \$829,000 as compared to a net cash outflow of \$112,886,000 in the previous year. Cash and cash equivalents at 31 March 2007 amounted to \$1,853,000 (2006: deficit of cash and cash equivalents of \$693,000). The group’s gearing ratio measured on the basis of the group’s total borrowings over the shareholders’ funds as at 31 March 2007 was not applicable as the group has a negative shareholders’ fund (2006: N/A).

REPORT OF THE LIQUIDATORS

CAPITAL STRUCTURE

The group had no significant exposure to foreign currency fluctuation as financial borrowings, cash balance, trade receivables, and trade payables were denominated in Hong Kong dollars. The group's borrowings bore interest at floating rates.

The Liquidators are not aware of any evidence which indicates that the group had engaged in any derivative activities or committed any financial instruments to hedge the balance sheet exposures during the year.

RESTRUCTURING OF THE GROUP

The company was placed into the third stage of the delisting procedures in accordance with Practice Note 17 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 7 June 2007. If no viable resumption proposal was submitted at least 10 business days before 6 December 2007, the listing status of the company would be cancelled.

The Liquidators have appointed Asian Capital (Corporate Finance) Limited as the financial adviser to the company (the "Financial Adviser"). Since then, the Liquidators and the Financial Adviser have been in discussion and negotiation with various potential investors with a view to restructuring the company and submitting a viable resumption proposal to the Stock Exchange. The restructuring proposal submitted by an investor has been accepted by the Liquidators and, in principle, supported by the major creditors as it offers recovery terms for the creditors superior to other restructuring proposals received by the company.

On 10 September 2007, a preliminary agreement and an exclusivity agreement were entered into amongst the Liquidators, the company and an investor (the "Parties"), and an escrow agreement was entered into amongst the Parties and an escrow agent on the same day. Pursuant to the exclusivity agreement, the Liquidators granted the investor an exclusive right up to 31 October 2007 to negotiate a legally binding agreement for the implementation of the restructuring proposal.

On 31 October 2007, an extension letter for the exclusivity agreement was executed amongst the Parties to extend the exclusivity period to 5 November 2007.

REPORT OF THE LIQUIDATORS

On 5 November 2007, the formal agreement was entered into amongst the Parties, and a convertible notes subscription agreement was entered into amongst the Liquidators, the company and a subscriber for the convertible notes. On 9 November 2007, a second escrow agreement was entered into amongst the Parties and the escrow agent.

On 21 November 2007, the company submitted a proposal to the Listing Division of the Stock Exchange (the “Listing Division”), setting out the principal terms of the proposed restructuring and requesting the Stock Exchange’s conditional approval for the resumption of trading in the shares of the company (the “Resumption Proposal”).

The proposed restructuring, if successfully implemented, will, amongst other things, result in the following:

- (a) a restructuring of the share capital of the company through the increase in authorised share capital, and the issuance of new shares and convertible notes, which will give rise to an increase in working capital of approximately \$435 million;
- (b) all the creditors of the company and creditors of its subsidiaries holding guarantees given by the company discharging and waiving their claims against the company by way of schemes of arrangement under section 166 of the Hong Kong Companies Ordinance (Cap 32 of the Laws of Hong Kong) and section 99 of the Companies Act 1981 of Bermuda (as amended from time to time) (the “Schemes”) by payment of an amount of \$75 million;
- (c) the entire interest of the company in all its subsidiaries except for Dickson Construction Engineering (Guang Dong) Limited (“Dickson Guangdong”) being disposed of to a new company to be held by the scheme administrators of the Schemes, being the Liquidators, for a nominal consideration; and
- (d) the resumption of trading in the shares of the company upon completion of the proposed restructuring (the “Completion”) subject to the restoration of sufficient public float.

REPORT OF THE LIQUIDATORS

Meanwhile, the operation of Dickson Guangdong has been re-activated with the financing from the investor. Dickson Guangdong, as at the date of this report, has entered into contracts for a total gross contract value of RMB19.1 million and a letter of intent for a contract value of RMB197.8 million.

Having received and considered the operations and affairs of the company and its subsidiaries, the magnitude of the claims against the company and the third stage of delisting procedures, the Liquidators concluded that the proposed restructuring represents the best means available for the company to be returned to solvency and to continue with the development and enhancement of its business. In the opinion of the Liquidators, the group and the company would not be a going concern at the balance sheet date if the restructuring proposal is not successfully implemented.

As at the date of this report, the Liquidators have received, in principle, support from creditors representing more than 75% of the total indebtedness of the company.

PROSPECTS

Subject to the approval of the Resumption Proposal by the Stock Exchange and upon the Completion, it is anticipated that the financial position of the group will be substantially improved as all liabilities arising from creditors of the company and creditors of its subsidiaries holding guarantees given by the company will be compromised and discharged through the Schemes.

The investor is confident that the group's business can be revitalised by discharging the aforesaid liabilities and injecting sufficient working capital. The restructuring proposal has been structured to restore the company to a healthy financial position. The investor has thus far injected preliminary working capital to meet the group's working capital requirements for its operations prior to and after completion.

It is the investor's intention to revive and expand the group's existing business in the provision of construction and maintenance works through its major operating subsidiary, Dickson Guangdong, with its business focusing on the booming market in the PRC.

PRINCIPAL ACTIVITIES

The principal activity of the company is investment holding. The principal activities and other particulars of the subsidiaries are set out in note 13 to the financial statements.

REPORT OF THE LIQUIDATORS

RESULTS AND DIVIDENDS

The loss of the group for the year ended 31 March 2007 and the state of affairs of the company and of the group at that date are set out on pages 19 to 61.

There will not be a payment of a final dividend for the year ended 31 March 2007 (2006:Nil).

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results, assets, and liabilities of the group for the last five financial years, as extracted from the audited financial statements, is set out on page 62. This summary does not form part of the audited financial statements.

PLEDGE OF ASSETS

Details are set out in note 30 to the financial statements.

CONTINGENT LIABILITIES

Details are set out in note 29 to the financial statements.

SHARE CAPITAL

There was no movement in either the company's authorised or issued share capital during the year.

RESERVES

Details of movements in the reserves of the company and the group during the year are set out in note 26 to the financial statements and in the consolidated statement of changes in equity, respectively.

REPORT OF THE LIQUIDATORS

SUSPENSION OF TRADING

Trading in the shares of the company on the Main Board of the Stock Exchange has been suspended since 30 December 2005, and will remain suspended until further notice.

PUBLIC FLOAT

Based on information that is publicly available to the company and within the knowledge of the Liquidators as at the latest practicable date prior to the issue of this report, the company has complied with the sufficiency of public float requirement under the Listing Rules.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

To the best knowledge of the Liquidators, neither the company, nor any of its subsidiaries purchased, redeemed or sold any of the company's listed securities during the year.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the group's five largest customers accounted for 100% of the total sales for the year.

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

REPORT OF THE LIQUIDATORS

DIRECTORS

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

Executive Directors:

Chin Wai Kay, Geordie

Lin Xiong

Independent non-Executive Directors:

Wong Ying Sheung

Yu Chi Wai (resigned on 16 December 2006)

Yu Li Chi (resigned on 16 December 2006)

The term of office of each of the independent non-executive directors is the period up to his retirement by rotation in accordance with the company's Bye-Laws.

None of the directors eligible for re-election at the forthcoming annual general meeting has a service contract with the group, which is not determinable by the group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' SERVICE CONTRACTS

To the best knowledge of the Liquidators and having made all reasonable enquiries, the Liquidators are not aware of any directors who have entered into any service contracts within the group.

DIRECTORS' REMUNERATION AND THE FIVE HIGHEST PAID INDIVIDUALS

The directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the company's board of directors with reference to directors' duties, responsibilities, performance, and the results of the group. Details are set out in note 8 to the financial statements.

REPORT OF THE LIQUIDATORS

DIRECTORS' INTERESTS IN CONTRACTS

Having made all reasonable enquiries and based on the available books and records, the Liquidators are not aware of any material interest in any contract of significance to the business of the group to which the company or any of its subsidiaries was a party during the year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

To the best knowledge of the Liquidators, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the company granted to any director or their respective spouse or minor children, or were any such rights exercised by them, or was the company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

DIRECTORS' AND THE CHIEF EXECUTIVE'S INTERESTS OR SHORT POSITIONS IN SECURITIES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2007, other than certain nominee shares in subsidiaries held by directors in trust for the company, none of the directors of the company or chief executive of the company had registered any interest or short position in the shares, underlying shares or debentures of the company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which was required to be (i) notified to the company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (ii) recorded pursuant to Section 352 of the SFO; or (iii) notified to the company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

REPORT OF THE LIQUIDATORS

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

As at 31 March 2007, the following interests of 5% or more of the issued share capital of the company were recorded in the register of interests required to be kept by the company pursuant to Section 336 of the SFO:

Long positions:

Name of shareholder	Notes	Number of ordinary shares held	Number and description of equity derivatives	Number of underlying shares	Percentage of issued share capital
Well Peace Limited	(a)	60,805,590	–	–	18.38%
Wisdom Top International Limited	(b)	23,142,857	–	–	6.99%

Notes:

- (a) Well Peace Limited is a company incorporated in the British Virgin Islands with limited liability whose entire issued share capital is ultimately owned by Mr. Lam Chin Wang (“Mr. Lam”).
- (b) Wisdom Top International Limited is a company incorporated in Hong Kong with limited liability whose entire issued share capital is ultimately owned by Sky Realty Holdings Limited. Sky Realty Holdings Limited is beneficially owned as to 56.00% by Mr. Lam. Accordingly, Mr. Lam is deemed to be interested in 25.37% of the existing issued share capital of the company.

Save as disclosed above, as at 31 March 2007, no person, other than the directors and chief executive of the company, whose interests are set out in the section “Directors’ and the chief executive’s interests or short positions in securities, underlying shares and debentures” above, had registered an interest or short position in the securities or underlying shares of the company that was required to be recorded pursuant to Section 336 of the SFO.

REPORT OF THE LIQUIDATORS

CONNECTED TRANSACTIONS

To the best knowledge of the Liquidators, during the year ended 31 March 2005, Dickson Construction Company, Limited (“DCCL”) provided consultancy services to China Energy and Environmental Protection Group Limited (“CEEP”) and an amount of \$8.4 million was due from CEEP as at 31 March 2005. CEEP is a company beneficially owned by Mr. Lam Chin Wang. Mr. Lam became a substantial shareholder of the company on 13 June 2005.

On 27 January 2006, DCCL entered into a loan agreement with Solution Link Limited (“SLL”), the parent company of CEEP to obtain a short-term loan facility of \$7 million. Pursuant to the above loan agreement, SLL is entitled to offset the loan against DCCL’s receivable from CEEP, which amounted to approximately \$7 million, if DCCL fails to repay the loan. DCCL failed to repay the loan upon its maturity on 10 March 2006.

RELATED PARTY TRANSACTIONS

Details of the related party transactions are set out in note 31 to the financial statements.

MANAGEMENT CONTRACTS

According to the available information, the Liquidators are not aware of any contract during the year entered into with the management and administration of the whole or any substantial part of the business of the company.

RETIREMENT BENEFIT SCHEMES

Details of the retirement benefit schemes are set out in note 34 to the financial statements.

SEGMENTAL INFORMATION

Details are set out in note 5 to the financial statements.

REPORT OF THE LIQUIDATORS

SIGNIFICANT POST-BALANCE SHEET EVENTS

Details of the significant post-balance sheet events of the group are set out in note 32 to the financial statements.

CORPORATE GOVERNANCE

The Liquidators were appointed on 29 May 2007 pursuant to an Order of the High Court of Hong Kong. Consequently, the Liquidators are unable to comment as to whether the company has complied with the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules throughout the year ended 31 March 2007.

AUDIT COMMITTEE

After the resignation of Mr. Yu Li Chi and Mr. Yu Chi Wai as the company's independent non-executive directors, the company has only one independent non-executive director and, thus, the audit committee has not been maintained as required by the Listing Rules and has not reviewed the annual results.

AUDITOR

The financial statements for the year ended 31 March 2004 and 2005 were audited by Messrs RSM Nelson Wheeler. The financial statements for the year ended 31 March 2006 and 2007 have been audited by Shu Lun Pan Horwath Hong Kong CPA Limited (formerly known as Horwath Hong Kong CPA Limited) who retire and, being eligible, offer themselves for re-appointment.

For and on behalf of
Dickson Group Holdings Limited
(In Liquidation)

Stephen Liu Yiu Keung
Robert Armor Morris
Joint and Several Liquidators
who act without personal liabilities

17 December 2007

BIOGRAPHICAL DETAILS OF DIRECTORS

EXECUTIVE DIRECTORS

LIN, Xiong, aged 34, joined the group in October 2005. He is the Chairman and an Executive Director of the group. He has over 10 years' experience in corporate management. He holds a professional certificate in economic management. Before joining the group, he held the position of chief executive officer in major construction materials and machinery firms in the PRC.

CHIN Wai Kay, Geordie, aged 47, joined the group in April 2003 as the group General Manager and was appointed as an executive director in January 2005. He continues to hold the office of the group general manager after this appointment as executive director. He is also a director of the group's subsidiaries. Mr. Chin has over 20 years' experience in management and corporate finance. Before joining the group, he held senior management positions in multi-national corporations for over 10 years.

INDEPENDENT NON-EXECUTIVE DIRECTOR

WONG Ying Sheung, aged 59, joined the group in April 2004. He has over 30 years' experience in trading, manufacturing and investment in the PRC. Mr. Wong was conferred as an Honourable Citizen of Kaiping City, Guangdong Province, PRC in 1996.

INDEPENDENT AUDITOR'S REPORT



Shu Lun Pan Horwath Hong Kong CPA Limited

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TO THE SHAREHOLDERS OF DICKSON GROUP HOLDINGS LIMITED

(In Liquidation)

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

We have audited the consolidated financial statements of Dickson Group Holdings Limited (In Liquidation) (the “company”) and its subsidiaries (hereinafter referred to as the “group”) set out on pages 19 to 61, which comprise the consolidated and company balance sheets as at 31 March 2007, the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

LIQUIDATORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. Except for the limitation in the scope of our work as explained below, we conducted our audit in accordance with the Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

However, because of the matters described in the basis for disclaimer of opinion paragraph and fundamental uncertainty relating to the going concern basis paragraph, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

INDEPENDENT AUDITOR'S REPORT

BASIS FOR DISCLAIMER OF OPINION

- (1) As more fully explained in note 2.1 to the financial statements, trading in the company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") has been suspended since 30 December 2005. On 29 May 2007, the High Court of Hong Kong (the "Court") appointed Mr. Stephen Liu Yiu Keung and Mr. Robert Armor Morris as the joint and several liquidators (the "Liquidators") of the company. On 10 September 2007, a preliminary agreement, exclusivity agreement and escrow agreement were entered into regarding the implementation of a restructuring proposal (the "Restructuring Proposal").

The Restructuring Proposal is subject to the approval of all relevant parties, including the court, regulatory authorities, creditors and shareholders.

The Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") require, *inter alia*, that companies whose shares are listed on the Stock Exchange submit audited financial statements to shareholders within four months after the balance sheet date. However, the audit of the final results of the company and its subsidiaries for the years ended 31 March 2006 and 2007 was necessarily delayed while the Restructuring Proposal was being finalised.

The Liquidators were appointed on 29 May 2007 pursuant to an order of the Court. Upon the appointment of the Liquidators, the powers of the directors were suspended with regard to the affairs and business of the company. We were appointed auditor on 12 September 2007. As further set out in note 2.1 to the financial statements, we were unable to obtain all the information that we required in relation to our audit for the year ended 31 March 2007. As a consequence, we were unable to carry out all of the auditing procedures necessary to obtain adequate assurance regarding the assets, liabilities, income and expenses appearing in the financial statements of the company and of the group, and the adequacy and sufficiency of disclosures in these financial statements. There were no satisfactory audit procedures that we could adopt to obtain sufficient evidence regarding the accuracy and completeness of the assets, liabilities, income and expenses of the company and of the group, and the adequacy and sufficiency of disclosures in the financial statements.

INDEPENDENT AUDITOR'S REPORT

- (2) As further detailed in note 13 to the financial statements, proper group consolidated financial statements have not been prepared. The group's consolidated financial statements have not incorporated the results, assets and liabilities of certain subsidiaries, namely Interform Investment Company Limited and 德森建築科技(深圳)有限公司, as further detailed in note 13 to the financial statements. This accounting treatment is not in accordance with the requirements of Hong Kong Accounting Standard 27 Consolidated and Separate Financial Statements. Moreover, no disclosures have been made in the consolidated financial statements in respect of (a) the aggregate of the profits less losses of the unconsolidated subsidiaries for the year under review, and (b) the aggregate of the profits less losses of the unconsolidated subsidiaries for the financial years since they became subsidiaries as required by paragraph 18(4) of the Tenth Schedule of the Hong Kong Companies Ordinance. We were unable to quantify the effects of departure from these requirements.

FUNDAMENTAL UNCERTAINTY RELATING TO THE GOING CONCERN BASIS

The consolidated financial statements show the net current liabilities and net liabilities amount attributable to equity holders of the company at 31 March 2007, which indicate the existence of a material uncertainty which may cast significant doubt on the group's and the company's ability to continue as a going concern. As disclosed in note 2.1 to the financial statements, the consolidated financial statements have been prepared on a going concern basis. In the opinion of the Liquidators, the group and the company would not continue as a going concern at the balance sheet date if the Restructuring Proposal is not successfully implemented.

If the Restructuring Proposal is not successfully implemented, adjustments might have to be made further to reduce the value of 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 unable to ascertain the appropriateness of preparing these financial statements under the going concern basis.

INDEPENDENT AUDITOR'S REPORT

DISCLAIMER OF OPINION: DISCLAIMER ON VIEW GIVEN BY FINANCIAL STATEMENTS

Because of the significance of the matters described in the basis for disclaimer of opinion paragraph and the fundamental uncertainty relating to the going concern basis paragraph, we do not express an opinion on the financial statements as to whether they give a true and fair view of the state of affairs of the company and of the group as at 31 March 2007 and of the group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance. In all other respects, in our opinion, the financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Without further qualifying our opinion, we draw attention to the fact that the independent auditor's report dated 17 December 2007 on the financial statements of the company and of the group for the year ended 31 March 2006, which form the basis for the comparative accounts presented in the current year's financial statements, was qualified on account of similar scope limitations to those detailed in items 1 and 2 of the basis for disclaimer of opinion paragraph; and the fundamental uncertainty relating to the going concern basis paragraph above.

REPORT ON MATTERS UNDER SECTIONS 141(4) AND 141(6) OF THE HONG KONG COMPANIES ORDINANCE

In respect alone of the limitation on our work set out in the basis for disclaimer of opinion paragraph of this report:

- We have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- We were unable to determine whether proper books of accounts have been kept.

SHU LUN PAN HORWATH HONG KONG CPA LIMITED

Certified Public Accountants

2001 Central Plaza
18 Harbour Road
Wanchai
Hong Kong

17 December 2007

Choi Man On

Practising Certificate number P02410

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2007

(Expressed in Hong Kong dollars)

	<i>Note</i>	2007 \$'000	2006 \$'000
Turnover	5	36	339,429
Cost of sales		(5,424)	(346,463)
		<hr/>	<hr/>
Gross loss		(5,388)	(7,034)
Other revenue	5	207	2,301
Administrative expenses		(3,721)	(39,839)
Other operating expenses		(1,789)	(124,517)
		<hr/>	<hr/>
Operating loss		(10,691)	(169,089)
Finance costs	6	–	(8,245)
Share of results of an associate and amortisation of goodwill		–	(301)
Share of results of a jointly controlled entity		(220)	32
Provision for interests in unconsolidated subsidiaries		–	(7,561)
Write-back of provision for/ (provision for) bad and doubtful debts		6,801	(563,699)
		<hr/>	<hr/>
Loss before taxation	7	(4,110)	(748,863)
Taxation	9(a)	(3)	(2,034)
		<hr/>	<hr/>
Loss for the year		<u>(4,113)</u>	<u>(750,897)</u>
Attributable to:			
Equity holders of the company		(4,113)	(750,894)
Minority interest		–	(3)
		<hr/>	<hr/>
		<u>(4,113)</u>	<u>(750,897)</u>
Dividend		<hr/> <hr/>	<hr/> <hr/>
Loss per share attributable to the ordinary equity holders of the company – Basic	11	<u>(0.012)</u>	<u>(2.307)</u>

The accompanying pages form part of these financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 March 2007

(Expressed in Hong Kong dollars)

	<i>Note</i>	2007 \$'000	2006 \$'000
ASSETS AND LIABILITIES			
Non-current assets			
Leasehold land	12	–	1,756
Interests in unconsolidated subsidiaries	13	–	–
Interest in an associate	14	–	8,856
Interest in a jointly controlled entity	15	–	220
Available-for-sale investment	16	8,176	–
		<hr/>	<hr/>
		8,176	10,832
		<hr/>	<hr/>
Current assets			
Amounts due from customers for contract work	17	–	–
Leasehold land	12	–	33
Trade and other receivables	18	–	–
Amount due from a jointly controlled entity	19	1,896	1,896
Cash at banks and in hand		3,274	1,005
		<hr/>	<hr/>
		5,170	2,934
		<hr/>	<hr/>
Current liabilities			
Trade and other payables	20	402,433	401,577
Bank and other borrowings	21	168,635	165,367
Obligations under finance leases – due within one year	22	–	139
Convertible notes	23	4,183	4,183
Tax payable		3,356	3,049
		<hr/>	<hr/>
		578,607	574,315
		<hr/>	<hr/>

CONSOLIDATED BALANCE SHEET

As at 31 March 2007

(Expressed in Hong Kong dollars)

	<i>Note</i>	2007 \$'000	2006 \$'000
Net current liabilities		<u>(573,437)</u>	<u>(571,381)</u>
Total assets less current liabilities carried forward		<u>(565,261)</u>	<u>(560,549)</u>
Non-current liabilities			
Obligations under finance leases	22	–	31
Amounts due to unconsolidated subsidiaries	13	394	394
		<u>394</u>	<u>425</u>
Net liabilities		<u><u>(565,655)</u></u>	<u><u>(560,974)</u></u>
EQUITY			
Share capital	25	16,544	16,544
Reserves		<u>(582,199)</u>	<u>(577,518)</u>
Equity attributable to equity holders of the company		<u>(565,655)</u>	<u>(560,974)</u>
Minority interest		<u>–</u>	<u>–</u>
Total equity		<u><u>(565,655)</u></u>	<u><u>(560,974)</u></u>

These financial statements were approved and authorised for issue by the Joint and Several Liquidators on 17 December 2007.

Stephen Liu Yiu Keung
Joint and Several Liquidator
who acts without personal liability

Robert Armor Morris
Joint and Several Liquidator
who acts without personal liability

The accompanying pages form part of these financial statements.

BALANCE SHEET

As at 31 March 2007

(Expressed in Hong Kong dollars)

	Note	2007 \$'000	2006 \$'000
ASSETS AND LIABILITIES			
Non-current assets			
Interests in subsidiaries	13	3,600	3,600
Current assets			
Cash at banks and in hand		32	32
Current liabilities			
Other payables		2,127	2,742
Bank and other borrowings	21	30,618	26,737
Convertible notes	23	4,183	4,183
		36,928	33,662
Net current liabilities		(36,896)	(33,630)
Total assets less current liabilities		(33,296)	(30,030)
Non-current liabilities			
Amounts due to subsidiaries	13	340,463	340,377
Net liabilities		<u>(373,759)</u>	<u>(370,407)</u>
EQUITY			
Share capital	25	16,544	16,544
Reserves	26	(390,303)	(386,951)
Total equity		<u>(373,759)</u>	<u>(370,407)</u>

These financial statements were approved and authorised for issue by the Joint and Several Liquidators on 17 December 2007.

Stephen Liu Yiu Keung
Joint and Several Liquidator
who acts without personal liability

Robert Armor Morris
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who acts without personal liability

The accompanying pages form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2007

(Expressed in Hong Kong dollars)

	Share capital <i>(note 25)</i>	Share premium	Contributed surplus	Capital		Convertible			Minority interest	Total equity	
				redemption reserve	Translation reserve	Merger reserve	notes reserve	Accumulated losses			Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Balance at 1 April 2005	15,744	138,367	69,476	109	(3)	1,650	-	(41,136)	184,207	3	184,210
Issue of share capital	800	3,764	-	-	-	-	-	-	4,564	-	4,564
Convertible notes – equity component	-	-	-	-	-	-	867	-	867	-	867
Exchange differences arising on translation of overseas operations	-	-	-	-	282	-	-	-	282	-	282
Net loss for the year	-	-	-	-	-	-	-	(750,894)	(750,894)	(3)	(750,897)
Balance at 31 March 2006	<u>16,544</u>	<u>142,131</u>	<u>69,476</u>	<u>109</u>	<u>279</u>	<u>1,650</u>	<u>867</u>	<u>(792,030)</u>	<u>(560,974)</u>	<u>-</u>	<u>(560,974)</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2007

(Expressed in Hong Kong dollars)

	Share capital (note 25)	Share premium	Contributed surplus	Capital		Merger reserve	Available- for-sale	Convertible notes reserve (note 23)	Accumulated losses	Total	Minority interest	Total equity
				redemption reserve	Translation reserve		investment revaluation reserve					
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 April 2006	16,544	142,131	69,476	109	279	1,650	-	867	(792,030)	(560,974)	-	(560,974)
Exchange differences arising on translation of overseas operations	-	-	-	-	112	-	-	-	-	112	-	112
Revaluation of available-for- sale investment	-	-	-	-	-	-	(680)	-	-	(680)	-	(680)
Transfer	-	-	-	-	-	-	-	(867)	867	-	-	-
Net loss for the year	-	-	-	-	-	-	-	-	(4,113)	(4,113)	-	(4,113)
Balance at 31 March 2007	<u>16,544</u>	<u>142,131</u>	<u>69,476</u>	<u>109</u>	<u>391</u>	<u>1,650</u>	<u>(680)</u>	<u>-</u>	<u>(795,276)</u>	<u>(565,655)</u>	<u>-</u>	<u>(565,655)</u>

The share premium reserve represents the difference between the nominal amount of share capital and amounts received on issue of shares.

The merger reserve of the group represents the difference between the nominal value of the share capital of the subsidiaries at the date on which they were acquired by the group and the nominal value of the company's shares issued in exchange therefor, pursuant to the group reorganisation in 1991.

The contributed surplus reserve represents the surplus arising from reduction of paid-up capital during the year ended 31 March 2004.

The accompanying pages form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2007

(Expressed in Hong Kong dollars)

	2007	2006
	\$'000	\$'000
Operating activities		
Loss before taxation	(4,110)	(748,863)
Adjustments for:		
Depreciation	–	1,831
Amortisation of leasehold land	33	33
Goodwill written off	–	27,888
Write-off and loss on disposal of property, plant and equipment and leasehold land	1,756	4,925
Loss on disposal of investment properties	–	3,349
Provision for/(write-back of provision for) bad and doubtful debts	(6,801)	563,699
Share of results of an associate	–	301
Share of results of a jointly controlled entity	220	(32)
Interest income	–	(244)
Interest expenses	–	8,245
	<hr/>	<hr/>
Operating cash flows before working capital changes	(8,902)	(138,868)
Decrease/(increase) in amounts due from customers for contract work	5,397	(94,770)
Decrease in prepayment for acquisition of an investment property	–	6,561
Decrease in trade and other receivables	1,404	230,905
Decrease in amounts due to customers for contract work	–	(9,880)
Decrease in amount due to minority shareholder	–	(25)
Increase/(decrease) in trade and other payables	856	(99,877)
Exchange fluctuation	112	282
	<hr/>	<hr/>
Cash used in operations	(1,133)	(105,672)
Income tax refunded	304	1,031
Interest paid	–	(8,245)
	<hr/>	<hr/>
Net cash used in operating activities	(829)	(112,886)
	<hr/> <hr/>	<hr/> <hr/>

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2007

(Expressed in Hong Kong dollars)

	2007	2006
	\$'000	\$'000
Investing activities		
Proceeds from disposal of investment properties	–	13,651
Interest received	–	244
Payment to acquire property, plant and equipment	–	(300)
Advance from unconsolidated subsidiaries	–	394
Loans advanced to associate and jointly controlled entity	–	2,491
Decrease in pledged bank deposits	–	8,200
	<hr/>	<hr/>
Net cash generated from investing activities	–	24,680
	<hr/>	<hr/>
Financing activities		
Proceeds from new borrowings	3,545	45,922
Net proceeds from issue of shares	–	4,564
Proceeds from convertible notes	–	5,050
Repayment of finance lease obligations	(170)	(174)
	<hr/>	<hr/>
Net cash generated from financing activities	3,375	55,362
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	2,546	(32,844)
Cash and cash equivalents at beginning of year	(693)	32,151
	<hr/>	<hr/>
Cash and cash equivalents at end of year	1,853	(693)
	<hr/> <hr/>	<hr/> <hr/>
Analysis of the balances of cash and cash equivalents		
Cash at banks and in hand	3,274	1,005
Bank overdrafts	(1,421)	(1,698)
	<hr/>	<hr/>
	1,853	(693)
	<hr/> <hr/>	<hr/> <hr/>

The accompany notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

1. Organisation and operations

The company was originally incorporated in the Cayman Islands on 10 September 1990, but continued in Bermuda on 11 February 2004 with limited liability. Its registered office and principal place of business is at 18/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong.

The company is engaged in investment holdings, and the group is engaged in the construction business. The activities of the subsidiaries and jointly controlled entity are set out in notes 13 and 15 to the financial statements, respectively.

2.1 Basis of presentation

As at 31 March 2007, the group had consolidated net current liabilities of approximately \$573,437,000 (2006: \$571,381,000) and consolidated net liabilities of approximately \$565,655,000 (2006: \$560,974,000). The group also incurred a net loss from ordinary activities attributable to shareholders for the year ended 31 March 2007 of approximately \$4,113,000 (2006: \$750,894,000). These financial statements are being prepared on a going concern basis as there are good prospects if the restructuring proposal as outlined below can be successfully implemented. In the opinion of the Liquidators, the group and the company would not be on a going concern basis at the balance sheet date if the restructuring proposal is not successfully implemented.

A winding-up petition against the company was filed on 30 June 2006, and the company was subsequently wound up by the High Court of Hong Kong on 18 December 2006. The Liquidators were appointed on 29 May 2007, pursuant to an Order of the High Court of Hong Kong. As such, the Liquidators do not have the same knowledge of the financial affairs of the group as the directors of the company would have, particularly in relation to the transactions entered into by the group prior to the appointment date. The board of directors of the company has also authorised the Liquidators to sign, approve, publish and do all such acts in connection with the publication of this report.

The Liquidators are responsible for the accuracy and completeness of the contents of these audited financial statements for the year ended 31 March 2007 in relation to: (i) the affairs of the group after the appointment of the Liquidators; and (ii) the preparation of the contents of these audited financial statements for the year ended 31 March 2007 based on the books and records made available to the Liquidators.

The Liquidators make no representation as to the completeness of the information contained in these financial statements.

Trading in the company's shares on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") has been suspended since 30 December 2005. The company has been placed into the third stage of the delisting procedures in accordance with Practice Note 17 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") on 7 June 2007. If no viable resumption proposal was submitted at least 10 business days before 6 December 2007, the listing status of the company would be cancelled.

The Liquidators have appointed Asian Capital (Corporate Finance) Limited as financial adviser to the company (the "Financial Adviser"). Since then, the Liquidators and the Financial Adviser have been in discussion and negotiation with various potential investors with a view to restructuring the company and submitting a viable resumption proposal to the Stock Exchange. The restructuring proposal submitted by an investor on 30 August 2007 has been accepted by the Liquidators and, in principle, supported by the major creditors as it offers recovery terms for the creditors superior than other restructuring proposals received by the company.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2.1 Basis of presentation (continued)

On 10 September 2007, a preliminary agreement and an exclusivity agreement were entered into amongst the Liquidators, the company and an investor (the “Parties”), and an escrow agreement was entered into amongst the Parties and an escrow agent on the same day. Pursuant to the exclusivity agreement, the Liquidators granted the investor an exclusive right up to 31 October 2007 to negotiate a legally binding agreement for the implementation of the restructuring proposal.

On 31 October 2007, an extension letter for the exclusivity agreement was executed amongst the Parties to extend the exclusivity period to 5 November 2007.

On 5 November 2007, the formal agreement was entered into amongst the Parties, and a convertible notes subscription agreement was entered into amongst the Liquidators, the company and a subscriber for the convertible notes. On 9 November 2007, a second escrow agreement was entered into amongst the Parties and the escrow agent.

On 21 November 2007, the company submitted a proposal to the Listing Division of the Stock Exchange (the “Listing Division”), setting out the principal terms of the proposed restructuring and requesting the Stock Exchange’s conditional approval for the resumption of trading in the shares of the company (the “Resumption Proposal”).

The proposed restructuring, if successfully implemented, will, amongst other things, result in:

- (i) a restructuring of the share capital of the company through the increase in authorised share capital, and the issuance of new shares and convertible notes, which will give rise to an increase in working capital of approximately \$435 million;
- (ii) all the creditors of the company and creditors of its subsidiaries holding guarantees given by the company discharging and waiving their claims against the company by way of schemes of arrangement under section 166 of the Hong Kong Companies Ordinance (Cap 32 of the Laws of Hong Kong) and section 99 of the Companies Act 1981 of Bermuda (as amended from time to time) (the “Schemes”) by payment of an amount of \$75 million;
- (iii) the entire interest of the company in all its subsidiaries except for Dickson Construction Engineering (Guang Dong) Limited (“Dickson Guangdong”) being disposed of to a new company to be held by the scheme administrators of the Schemes, being the Liquidators, for a nominal consideration; and
- (iv) the resumption of trading in the shares of the company upon completion of the proposed restructuring (the “Completion”) subject to the restoration of sufficient public float.

Meanwhile, the operation of Dickson Guangdong has been re-activated with the financing from the investor. Dickson Guangdong, as at the date of this report, has entered into contracts for a total gross contract value of RMB19.1 million and a letter of intent for a gross contract value of RMB197.8 million.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2.1 Basis of preparation (continued)

Having received and considered the operations and affairs of the company and its subsidiaries, the magnitude of the claims against the company and the third stage of delisting procedures, the Liquidators concluded that the proposed restructuring represents the best means available for the company to be returned to solvency and to continue with the development and enhancement of its business. As at the date of this report, the Liquidators have received, in principle, support from creditors representing more than 75% of the total indebtedness of the company.

The Liquidators have carefully considered and analysed the commercial and other aspects of each restructuring proposal received from potential investors, including the recovery to the creditors of the company, the returns to the shareholders of the company, and the time required to complete the proposal. The Liquidators are of the view that, in the absence of unforeseen circumstances and subject to the completion of the restructuring proposal, the restructuring proposal provides more favourable terms than the other proposals and, therefore, represents the best option currently available to the company, its creditors and shareholders as:

- (i) all liabilities will be compromised and discharged through the Schemes; and
- (ii) the restructured group will have sufficient working capital for its on-going operations following Completion.

Upon the Completion, the company's shares will resume trading on the Stock Exchange subject to the approval of the Listing Division. Based on the above, the Liquidators are of the opinion that the restructuring proposal will be successfully implemented, notwithstanding that it is subject to the relevant approvals.

Should the group be unable to achieve a successful restructuring as mentioned above, and continue in business as a going concern, adjustments might have to be made to restate the value of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities to current assets and liabilities, respectively.

2.2 Adoption of new and revised Hong Kong Financial Reporting Standards

In the current year, the group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for the current accounting period of the group.

The adoption of the new and revised HKFRSs did not result in substantial changes to the accounting policies of the company and the group nor has it affected the amounts reported for the current or prior years, except for HKAS 39 & HKFRS 4 (Amendments).

This amendment has revised the scope of HKAS 39 to require financial guarantee contracts issued, that are not considered insurance contracts, to be recognised initially at fair value and to be remeasured at the higher of the amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised, less when appropriate, cumulative amortisation recognised in accordance with HKAS 18 Revenue. During the current and prior years, the company provided guarantee to a bank in connection with bank loans and other banking facilities granted to its subsidiaries. The adoption of this amendment has had no material impact on these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2.2 Adoption of new and revised Hong Kong Financial Reporting Standards (continued)

At the date of authorisation of these financial statements, the following HKFRSs relevant to the group were in issue but not yet effective:

		Effective for annual periods beginning on or after
HKAS 1 (Amendment)	Capital Disclosures	1 January 2007
HKFRS 7	Financial Instruments: Disclosures	1 January 2007
HK(IFRIC) – Int 8	Scope of HKFRS 2	1 May 2006
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives	1 June 2006
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment	1 November 2006
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions	1 March 2007

The group is in the process of making an assessment of what the impact of these new or revised HKFRSs is expected to be in the period of the initial application.

3. Principal accounting policies

(a) *Statement of compliance and basis of preparation of financial statements*

These financial statements have been prepared in accordance with all applicable HKFRSs, accounting principles generally accepted in Hong Kong, and the disclosure requirements of the Hong Kong Companies Ordinance.

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of available-for-sale investment which is carried at fair value.

(b) *Consolidation*

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

The results of subsidiaries acquired and 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.

All significant intercompany transactions, balances, and unrealised gains on transactions between group enterprises are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment on the asset transferred.

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.

Minority interest in the net assets of consolidated subsidiary is identified separately from the group's equity therein. Minority interest consists of the amount of the interest 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

3. Principal accounting policies (continued)

(c) 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 assumed in a business combination are recognised at their fair values at the acquisition date.

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

(d) Subsidiary

A subsidiary is an enterprise in which the group has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another enterprise.

Interests in subsidiaries and unconsolidated subsidiaries are included in the company's and the group's balance sheets, respectively, at cost less any accumulated impairment losses. The results of subsidiaries and unconsolidated subsidiaries are accounted for by the company and the group, respectively, on the basis of dividends received and receivable.

(e) Associate

An associate is an enterprise, not being a subsidiary nor an interest in a joint venture, over which the group is in a position to exercise significant influence, through participation in the financial and operating policy decisions of the investee.

The results and assets and liabilities of associate are incorporated in these financial statements using the equity method of accounting. Under the equity method, interest in an associate is 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 impairment in the value of individual investment. Losses of an associate in excess of the group's interest in that associate are not recognised. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

Where a group enterprise transacts with an associate of the group, unrealised gains and losses are eliminated to the extent of the group's interest in the relevant associate, except where unrealised losses provide evidence of an impairment of the assets transferred.

(f) Joint venture

A joint venture is a contractual arrangement whereby the group and other parties undertake an economic activity which is subject to joint control, that is when the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

3. Principal accounting policies (continued)

(f) Joint venture (continued)

Joint venture arrangement which involves the establishment of a separate entity in which each venturer has an interest is referred to as a jointly controlled entity. The group reports its interest in a jointly controlled entity using the equity method of accounting. Under the equity method, an interest in a jointly controlled entity is 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 jointly controlled entity, less impairment in the value of individual investment. Losses of jointly controlled entity in excess of the group's interest in that jointly controlled entity are not recognised. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

Any goodwill arising on the acquisition of the group's interest in a jointly controlled entity is accounted for in accordance with the group's accounting policy for goodwill arising on the acquisition of a subsidiary.

Where a group enterprise transacts with a jointly controlled entity of the group, unrealised gains and losses are eliminated to the extent of the group's interest in the joint venture, except where unrealised losses provide evidence of an impairment of the assets transferred.

(g) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs. The recoverable amount is the higher of fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the profit and loss account.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the profit and loss account.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

3. Principal accounting policies (continued)

(h) Financial instruments

Financial assets and financial liabilities are recognised on the group's balance sheet when the group becomes a party to the contractual provisions of the instrument.

(i) Receivables

Receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest method. Appropriate provisions for estimated irrecoverable amounts are recognised in the profit and loss account when there is objective evidence that the asset is impaired. The provision recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

(ii) Investments

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs.

Investments other than held-to-maturity debt securities are classified as either investments held for trading or as available-for-sale, and are measured at subsequent reporting dates at fair value. Where securities are held for trading purposes, gains and losses arising from changes in fair value are included in profit or loss for the period. For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the profit or loss account for the period. Impairment losses recognised in the profit or loss account for equity investments classified as available-for-sale are not subsequently reversed through profit or loss.

(iii) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(iv) Financial liabilities and equity

Financial liabilities and equity instruments issued by the group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

3. Principal accounting policies (continued)

(h) Financial instruments (continued)

(v) Borrowings

Interest-bearing bank loans, overdrafts and other loans are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the group's accounting policy for borrowing costs.

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

(vi) Convertible notes

Convertible notes are regarded as compound instruments, consisting of a liability component and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of the issue of the convertible notes and fair value assigned to the liability component, representing the embedded option for the holder to convert the note into equity of the group, is included in equity (convertible notes reserve).

Issue costs are apportioned between the liability and equity components of the convertible notes based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly to equity.

The interest expense on the liability component is calculated by applying the prevailing market interest rate of similar non-convertible debt to the liability component of the instrument. The difference between this amount and the interest paid is added to the carrying amount of the convertible notes.

(vii) Payables

Payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method.

(viii) Equity instruments

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

(i) Leases

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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

3. Principal accounting policies (continued)

(i) Leases (continued)

Assets held under finance leases are recognised 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 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 to profit and loss account, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the group's policy on borrowing costs.

Rentals payable under operating leases are charged to the profit or loss account 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 also spread on a straight-line basis over the lease term.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term, except where the property is classified as an investment property.

(j) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the group has a legal or constructive obligation arising as a result of a past event; it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(k) Taxation

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

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

Deferred tax liabilities are provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. However, such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

3. Principal accounting policies (continued)

(k) Taxation (continued)

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 liabilities are recognised for taxable temporary differences arising from investments in subsidiaries, associate, and jointly controlled entity, 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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities, and when they relate to income taxes levied by the same taxation authority and the group intends to settle its current tax assets and liabilities on a net basis.

(l) Translation of foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (“functional currency”). The consolidated financial statements are expressed in Hong Kong Dollars which is the functional currency of the company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, foreign currency transactions are translated into Hong Kong Dollars, i.e., the functional currency, at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the profit and loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the profit and loss for the period.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the group’s foreign operation (including comparatives) are expressed in Hong Kong Dollars using exchange rates prevailing on the balance sheet date. Income and expenses items (including comparatives) are translated at the average exchange rates at the dates of the transactions. Exchange differences arising, if any, are classified as equity and transferred to the group’s translation reserve. Such translation differences are recognised in the profit and loss in the period in which the foreign operation is disposed of.

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

3. Principal accounting policies (continued)

(m) *Employees' benefits*

i) Short term benefits

Employee entitlements to annual leave and long service payment are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

ii) Pension obligations

In respect of the employees of the company and the group's subsidiaries which operated in Hong Kong, contributions to the Mandatory Provident Fund scheme as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance, are charged to the profit and loss account when incurred. The group has no further payment obligations once the contribution has been made.

The employees of the group's subsidiary which operated in the People's Republic of China ("PRC") are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute a percentage of its payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

(n) *Borrowing costs*

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

All other borrowing costs are recognised in the profit and loss account in the period in which they are incurred.

(o) *Related parties*

Two parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influences. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the group or of any entity that is a related party of the group.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

3. Principal accounting policies (continued)

(p) Construction contracts

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

Revenue from fixed-price construction contracts is recognised on the percentage-of-completion method, measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract.

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

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

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

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

(q) Contracts for services

Contract revenue on the rendering of services comprises the agreed contract amount. Costs of rendering services comprise labour and other costs of personnel directly engaged in providing the services and attributable overheads.

Revenue from the rendering of services is recognised based on the percentage of completion of the transaction, provided that the revenue, the costs incurred and the estimated costs to completion can be measured reliably. The percentage of completion is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

3. Principal accounting policies (continued)

(r) Revenue recognition

Revenue is measured at fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts:

- i) Revenue from construction contracts is recognised on the percentage-of-completion basis, as further explained in the accounting policy for “Construction contracts” above;
- ii) Revenue the rendering of contract services is recognised on the percentage-of-completion basis, as further explained in the accounting policy for “Contracts for services” above;
- iii) Interest income is accrued on a time-apportioned basis by reference to the principal outstanding using the effective interest method; and
- iv) Rental income from operating leases is recognised in equal instalments over the accounting periods covered by the lease term.

4. Critical accounting estimates and judgements

Estimates and judgements

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

In determining whether an asset is impaired or the event previously causing the impairment no longer exists, the group has to exercise judgement in the area of asset impairment, particularly in assessing: (i) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (ii) whether the carrying value of an asset can be supported by net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

5. Turnover, other revenue and business and geographical segments

The group derived income from operation of construction and maintenance work in Hong Kong during the current and prior years. Turnover and other revenue are analysed as follows:

Turnover	2007	2006
	<i>\$'000</i>	<i>\$'000</i>
Construction and maintenance income	36	338,295
Others	—	1,134
	<u>36</u>	<u>339,429</u>
Other revenue	2007	2006
	<i>\$'000</i>	<i>\$'000</i>
Management fee income	—	256
Consultancy fee income	—	50
Exchange gain	—	26
Rental income	—	880
Interest income	—	244
Others	207	845
	<u>207</u>	<u>2,301</u>

Operation of construction and maintenance work in Hong Kong is the group's only business segment. The majority of the assets and operations of the group for current and prior years are located in Hong Kong. Accordingly, no separate segment information is presented.

6. Finance costs

	2007	2006
	<i>\$'000</i>	<i>\$'000</i>
Interest expense:		
Bank borrowings wholly repayable within five years	—	4,687
Bank overdraft	—	2,656
Other loans wholly repayable with five years	—	799
Finance leases	—	14
Others	—	89
	<u>—</u>	<u>8,245</u>

There is no sufficient information for recognition of the group's finance costs for the year ended 31 March 2007.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

7. Loss before taxation

	2007	2006
	<i>\$'000</i>	<i>\$'000</i>
Loss before taxation is arrived at after charging/(crediting):–		
Staff costs, including directors' emoluments (<i>note 8(a)</i>)		
– basic salaries and allowances	–	23,471
– retirement benefits scheme contributions, net of forfeited contributions of Nil (2006: \$278,842)	838	916
	838	24,387
Auditor's remuneration	265	265
Depreciation of property, plant and equipment	–	1,831
Amortisation of leasehold land	33	33
Loss on disposal of property, plant and equipment	–	77
Loss on disposal of investment properties	–	3,349
Loss on disposal of leasehold land (<i>notes 12 and 30</i>)	1,756	–
Goodwill of acquisition of subsidiaries and associate written off	–	27,888
Write-off of property, plant and equipment	–	4,848
Net rental income from investment properties under operating leases	–	(880)
	–	(880)

8. Directors' remuneration and the five highest paid individuals

(a) Directors' remuneration

The directors' remuneration is analysed as follows:

	2007	2006
	<i>\$'000</i>	<i>\$'000</i>
Fee:		
Executive directors	–	–
Non-executive directors	–	216
Independent non-executive directors	–	337
	–	553
Other emolument for executive directors:		
Salaries and other benefits	–	1,808
Retirement benefit scheme contributions	–	70
	–	1,878
	–	2,431

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

8. Directors' remuneration and the five highest paid individuals (continued)

(a) Directors' remuneration (continued)

	Salaries allowances and benefits Fee \$'000	in kind \$'000	Performance related bonuses \$'000	Employee share option benefits \$'000	Pension scheme contributions \$'000	Total remuneration 2007 \$'000
<i>Executive directors:</i>						
Chin Wai Kay, Geordie	-	-	-	-	-	-
Cheng Ping Kong, James	-	-	-	-	-	-
Lin Xiong	-	-	-	-	-	-
Pun Yat	-	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	-	-	-	-	-	-
<i>Non-executive director:</i>						
Fung Wing Mou, Bernard	-	-	-	-	-	-
Leung Chi Ching, Frederick	-	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	-	-	-	-	-	-
<i>Independent non-executive directors:</i>						
Lau Sai Chung	-	-	-	-	-	-
Wong Ying Sheung	-	-	-	-	-	-
Yu Chi Wai	-	-	-	-	-	-
Yu Li Chi	-	-	-	-	-	-
Mo Wai Bun	-	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	-	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	-	-	-	-	-	-
Total	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

(b) Five highest paid individuals

For the year ended 31 March 2006, the five highest paid individuals in the group included nil directors, details of whose emoluments are included in the disclosures in note 8(a) above. The emoluments of the five individuals for prior year are as follows:

	2006
	<i>\$'000</i>
Salaries and other benefits	6,481
Retirement benefit scheme contributions	268
	<hr/>
	6,749
	<hr/>

There is no sufficient information to ascertain certain staff costs, which included five highest paid individuals' remuneration for the year ended 31 March 2007.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

8. Directors' remuneration and the five highest paid individuals (continued)

(b) Five highest paid individuals (continued)

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

	Number of employees 2006
Nil to \$1,000,000	1
\$1,000,001 to \$1,500,000	4
\$1,500,001 to \$2,000,000	—
	<hr/>
	5
	<hr/> <hr/>

9. Taxation

(a) Taxation in the consolidated income statement represents:—

	2007 \$'000	2006 \$'000
Current tax – Hong Kong		
Provision for the year	3	—
Under-provision for the year	—	97
	<hr/>	<hr/>
	3	97
Deferred taxation (note 24)		
– Write-off of deferred tax assets	—	1,937
	<hr/>	<hr/>
	3	2,034
	<hr/> <hr/>	<hr/> <hr/>

No provision had been made for Hong Kong profits tax for the year ended 31 March 2006 as the group sustained a loss for the prior year. Provision for Hong Kong profits tax was calculated at 17.5% on the estimated assessable profits for current year. Taxation for overseas subsidiaries is similarly charged at the appropriate current rates of taxation ruling in the relevant countries.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

9. Taxation (continued)

(b) Taxation for the year can be reconciled to the accounting loss as follows:

	2007 \$'000	2006 \$'000
Loss before taxation	<u>(4,110)</u>	<u>(748,863)</u>
Taxation credit calculated at Hong Kong profits tax rate of 17.5%	(719)	(131,051)
Tax effect of non-taxable expenses	722	131,051
Under-provision for the year	–	97
Write-off of deferred tax assets	<u>–</u>	<u>1,937</u>
Income tax for the year	<u>3</u>	<u>2,034</u>

10. Net loss from ordinary activities attributable to equity holders of the company

The consolidated loss from ordinary activities attributable to equity holders of the company for the year ended 31 March 2007 includes a loss of \$3,352,000 (2006: \$532,108,000) which has been dealt with in the financial statements of the company (note 26).

11. Loss per share

The calculation of the basic loss per share is based on the loss attributable to equity holders for the year of \$4,113,000 (2006: \$750,894,000) and on the weighted average number of approximately 330,874,303 (2006: 325,541,000) shares in issue during the year.

The calculation of diluted loss per share amounts is based on the net loss for the year attributable to ordinary equity holders of the company, adjusted to reflect the interest on the convertible notes, where applicable (see below). The weighted-average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic loss per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

A diluted loss per share amount for the year ended 31 March 2006 and 2007 has not been disclosed as there was no dilutive effect during the year ended 31 March 2006 and no diluting events existed during the year ended 31 March 2007.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

12. Leasehold land

	The group	
	2007	2006
	<i>\$'000</i>	<i>\$'000</i>
Carrying amount at beginning of year	1,789	1,822
Amortisation	(33)	(33)
	<hr/>	<hr/>
Carrying amount at end of year	1,756	1,789
Disposal	(1,756)	–
Current portion included under current assets	–	(33)
	<hr/>	<hr/>
Non-current portion	–	1,756
	<hr/> <hr/>	<hr/> <hr/>

The leasehold land represented prepaid operating lease payment held under medium term lease, situated in Hong Kong and is pledged for bank facilities granted to the group (note 30).

13. Interests in subsidiaries and interests in unconsolidated subsidiaries

	The group		The company	
	2007	2006	2007	2006
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Unlisted shares/investments, at cost	7,561	7,561	111,011	111,011
Loans to subsidiaries <i>(note below)</i>	–	–	237,210	237,210
Amounts due from subsidiaries	–	–	176,331	176,331
	<hr/>	<hr/>	<hr/>	<hr/>
	7,561	7,561	524,552	524,552
Less: Impairment loss	(7,561)	(7,561)	(520,952)	(520,952)
	<hr/>	<hr/>	<hr/>	<hr/>
	–	–	3,600	3,600
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The amounts due to subsidiaries are unsecured, interest-free, and have no fixed terms of repayment. In the opinion of the Liquidators, the amounts will not be repaid within twelve months of the balance sheet date and are therefore shown as non-current.

Note: Loans to subsidiaries include an amount of \$237,200,000 (2006: \$237,200,000) advanced to Dickson Construction Company, Limited (“DCCL”) which was placed into liquidation on 18 December 2006. Pursuant to two deeds of agreement (the “Agreement”) signed amongst the company, DCCL and The Government of the Hong Kong Special Administrative Region (the “Government”), the company has agreed and undertaken to DCCL and the Government that it will not demand repayment of the loans to DCCL during the continuance of the Agreement. The Agreement can be terminated provided that any party to the Agreement gives the other parties three months’ notice in writing. The company is also required, from time to time, as and when required by the Government, to provide additional capital to DCCL so as to maintain the level of DCCL’s working capital required by the Government for the performance of all Government contracts undertaken by DCCL.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

13. Interests in subsidiaries and interests in unconsolidated subsidiaries (continued)

The balances due from subsidiaries are unsecured, interest-free, and, other than the amount due from DCCL as described above, have no fixed terms of repayment. In the opinion of the Liquidators, the recoverable amount of interests in subsidiaries and unconsolidated subsidiaries amounted to \$3,600,000 and \$nil respectively.

As a result of the incomplete accounting records, the following subsidiaries are excluded from the group's consolidation:

1. Interform Investment Company Limited ("Interform") (note 32(7))
2. 德森建築科技(深圳)有限公司(「德森」) (note 32(7))

Particulars of principal subsidiaries as at 31 March 2007 are as follows:–

Name of company	Country of incorporation and operation	Issued and fully paid share/registered capital	Percentage of ordinary shares held		Principal activity
			Direct	Indirect	
Active Town Limited	Hong Kong	\$2 ordinary shares	–	100	Building maintenance
Bright Town Investment Limited	Hong Kong	\$10,000 ordinary shares	–	100	Property investment
Build Sky Development Consultancy Limited	Hong Kong	\$100 ordinary share	–	100	Dormant
Colour Paint Limited	Hong Kong	\$1,000,000 ordinary shares	–	100	General trading
Cosonic Inc.	British Virgin Islands	US\$1 ordinary shares	–	100	Investment Holding
Cosonic – Lun Ming Joint Venture	Hong Kong	(note i below)	–	75	Building Contractors
Dickson Construction (China) Limited	British Virgin Islands	US\$1 ordinary shares	100	–	Investment Holding
Dickson Construction Company, Limited (In Liquidation) (note ii below)	Hong Kong	\$95,500,000 ordinary shares	100	–	Building Contractors
Dickson Construction (Housing) Limited	Hong Kong	\$7,000,000 ordinary shares	100	–	Building Contractors
Dickson Construction (Maintenance) Limited (In Liquidation) (note ii below)	Hong Kong	\$2 ordinary shares	100	–	Building Maintenance

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

13. Interests in subsidiaries and interests in unconsolidated subsidiaries (continued)

Name of company	Country of incorporation and operation	Issued and fully paid share/registered capital	Percentage of ordinary shares held		Principal activity
			Direct	Indirect	
Dickson (China) Enterprises Limited	Hong Kong	\$1,000,000 ordinary shares	–	100	General Trading
Dickson (China) Holdings Limited	Cook Islands	US\$1 ordinary shares	–	100	Investment Holding
Dickson Design Services Limited (In Liquidation) <i>(note ii below)</i>	Hong Kong	\$2 ordinary shares	–	100	Provision of Administrative Services
Dickson (Pacific) Limited	British Virgin Islands	US\$1 ordinary shares	100	–	Investment Holding
Dickson Properties Limited	Hong Kong	\$10,000 ordinary shares	–	100	Investment Holding
Henly Engineering Limited	Hong Kong	\$2 ordinary shares	–	100	Building Contractors
Interform Investment Company Limited	Hong Kong	\$2 ordinary shares	–	100	Investment Holding
i-Concepts Investment Limited	British Virgin Islands	US\$1 ordinary shares	–	100	Investment Holding
Joint Wealthy Holdings Limited	Hong Kong	\$2 ordinary shares	–	100	Investment Holding
Longway Construction Engineering Limited	Hong Kong	\$10,000 ordinary shares	–	100	Building Contractors
Rose Link Limited	British Virgin Islands	US\$1 ordinary shares	–	100	Investment Holding
Pattern Logistic Limited	British Virgin Islands	US\$1 ordinary shares	100	–	Investment Holding

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

13. Interests in subsidiaries and interests in unconsolidated subsidiaries (continued)

Name of company	Country of incorporation and operation	Issued and fully paid share/registered capital	Percentage of ordinary shares held		Principal activity
			Direct	Indirect	
Polywin Engineering Limited	Hong Kong	\$2 ordinary shares	–	100	Building Contractors
Uni-Technic Company Limited	Hong Kong	\$100,000 ordinary shares	–	100	Computer Products Trading and Provision of Information Technology Services
Winshan Construction Company Limited	Hong Kong	\$60,000 ordinary shares	–	100	Building Contractors
Zotos Investments Limited	Hong Kong	\$2 ordinary shares	–	100	Property Investment
德信建工(廣東)有限公司	PRC	US\$3,000,000 Registered capital	100	–	Building Contractors
德信建築科技(深圳)有限公司	PRC	RMB\$1,000,000 ordinary shares	–	100	Developing Construction Management Software

Notes:

- i. Cosonic-Lun Ming Joint Venture (“Cosonic-Lun Ming”) is an unincorporated entity established and held by Cosonic Inc., a subsidiary of the company, and Lun Ming Construction Company Limited holding 75% and 25%, respectively. At 31 March 2007, the group had contributed working capital of \$1,875,000 (2006: \$1,875,000) to Cosonic-Lun Ming.
- ii. Dickson Construction (Maintenance) Limited (In Liquidation), Dickson Design Services Limited (In Liquidation) and DCCL were wound up by the High Court of Hong Kong on 4 October 2006, 18 October 2006 and 18 December 2006, respectively.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

14. Interest in an associate

	The group	
	2007	2006
	<i>\$'000</i>	<i>\$'000</i>
Share of net assets	—	8,856
Market value of listed securities in Hong Kong	—	6,249

Particulars of the group's associate, which is a listed corporate entity as at 31 March 2006, are as follows:—

Name of company	Place of incorporation and operation	Issued and fully paid share capital	Percentage of ordinary shares held		Principal activity
			Direct	Indirect	
			%	%	
Cardlink Technology Group Limited (“Cardlink”)	Cayman Islands	\$32,000,000 ordinary share capital	—	18.3	Investment holding and provision of management services

The associate operates in Hong Kong and is not audited by Shu Lun Pan Horwath Hong Kong CPA Limited.

During the year, the group's interest in Cardlink was reclassified as an available-for-sale investment, details of which are set out in note 16 to the financial statements.

Summarised financial information in respect of the group's associate is set out below:

	2006
	<i>\$'000</i>
Total assets	71,483
Total liabilities	(23,088)
Net assets	<u>48,395</u>
The group's share of associate's net assets	<u>8,856</u>
Revenue	<u>59,616</u>
Loss for the year	<u>(1,645)</u>
The group's share of associate's loss for the year	<u>(301)</u>

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

15. Interest in a jointly controlled entity

	The group	
	2007 \$'000	2006 \$'000
Share of net assets	—	220

Particulars of jointly controlled entity are as follows:—

Name of company	Place of incorporation	Issued and fully paid share	Percentage of ordinary shares held		Principal activity
			Direct	Indirect	
			%	%	
Fullsky Management Limited	Hong Kong	\$10,000 ordinary share capital	—	40	Provision of property management services

The jointly controlled entity operates in Hong Kong and is not audited by Shu Lun Pan Horwath Hong Kong CPA Limited.

Summarised financial information on a jointly controlled entity – group's effective interest:

	2007 \$'000	2006 \$'000
Non-current assets	955	869
Current assets	915	2,916
Current liabilities	(2,328)	(3,565)
Net (liabilities)/assets	(458)	220
Income	3,523	10,985
Expenses	(3,743)	(10,953)
(Loss)/profit for the year	(220)	32

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

16. Available-for-sale investment

Available-for-sale investment

	The group	
	2007	2006
	<i>\$'000</i>	<i>\$'000</i>
Listed equity investment in Hong Kong, fair value	8,176	–

The investment above represents investment in listed equity securities that offer the group the opportunity for return through dividend income and fair value gains. They have no fixed maturity or coupon rate. The fair value of the securities is based on quoted market prices.

Commencing from 1 April 2006, the group did not appoint any director to the board of directors of Cardlink and therefore had lost its significant influence over Cardlink. Accordingly, the equity interest in Cardlink became an available-for-sale investment of the group since 1 April 2006. The investment was pledged to a third party to secure a short-term facility obtained by a wholly-owned subsidiary of the company. Subsequent to the balance sheet date, the investment was sold and the short-term loan facility was fully repaid. Details are set out in notes 30 and 32 to the financial statements.

17. Amounts due from/(to) customers for contract work

	The group	
	2007	2006
	<i>\$'000</i>	<i>\$'000</i>
Gross amount due from contract customers	288,824	294,221
Gross amount due to contract customers	–	–
	288,824	294,221
Less: provision for bad and doubtful debts	(288,824)	(294,221)
	–	–
Contract costs incurred plus recognised profits less recognised losses to date	1,568,475	1,573,872
Less: Progress billings	(1,279,651)	(1,279,651)
Provision for bad and doubtful debts	(288,824)	(294,221)
	–	–

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

18. Trade and other receivables

	The group	
	2007	2006
	\$'000	\$'000
Trade receivables	115,743	115,743
Other receivables	152,331	153,735
	<u>268,074</u>	<u>269,478</u>
Less: provision for bad and doubtful debts	(268,074)	(269,478)
	<u>—</u>	<u>—</u>

The group's trading terms with its customers are mainly on credit where payment in advance is normally required. The credit period is generally 30 days to 90 days.

19. Amount due from a jointly controlled entity

The amount due is unsecured, interest-free and has no fixed term of repayment.

20. Trade and other payables

	The group	
	2007	2006
	\$'000	\$'000
Trade payables	286,306	285,294
Other payables	116,127	116,283
	<u>402,433</u>	<u>401,577</u>

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs and all amounts are current.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

21. Bank and other borrowings

	The group		The company	
	2007	2006	2007	2006
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Repayable within one year or on demand:				
Bank overdrafts	1,421	1,698	1,239	1,157
Bank loans and import and export loans	130,834	131,106	–	–
Other loans	36,380	32,563	29,379	25,580
	<u>168,635</u>	<u>165,367</u>	<u>30,618</u>	<u>26,737</u>
Analysed as:				
Secured bank loans, import and export loans and overdrafts	132,255	132,804	1,239	1,157
Unsecured other loans	36,380	32,563	29,379	25,580
	<u>168,635</u>	<u>165,367</u>	<u>30,618</u>	<u>26,737</u>

Other loans are unsecured, interest-bearing at Hong Kong dollar prime rate and have no fixed terms of repayment.

All of the group's bank and other borrowings were denominated in Hong Kong dollars and bore floating interest ranging 6.5% to 11.6% per annum.

Details of the pledge of assets of the group for the secured banking facilities are set out in note 30 to the financial statements.

Certain banks withdrew and cancelled banking facilities granted to the group and made formal repayment requests upon the group for immediate repayment of loans and overdrafts in full.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

22. Obligations under finance leases

	Minimum lease payments		Present value of minimum lease payments	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Amounts payable under finance leases:				
Within one year	–	156	–	139
In the second year	–	34	–	31
	–	190	–	170
Less: future finance charges	–	(20)	–	–
Present value of lease obligations	–	170	–	170
Less: Amount due for settlement within 12 months (shown under current liabilities)			–	(139)
Amount due for settlement after 12 months			–	31

It is the group's policy to lease certain of its motor vehicles under finance leases. The average lease term is three years. Interest rates are fixed at the contract date, and thus expose the group to fair value interest rate risk. All leases are on a fixed repayment basis, and no arrangements have been entered into for contingent rental payments.

The group's obligations under finance leases are secured by the lessors' title to the motor vehicles which were fully written off as at 31 March 2006 and 2007.

23. Convertible notes

On 5 September 2005, the company issued convertible notes in the principal amount of \$5,050,000. There was no movement in the number of these convertible notes during the year. The notes are convertible on any business day at the option of the noteholders into ordinary shares prior to its maturity on 4 September 2010. Upon full conversion of the convertible notes, 5% of then issued share capital of the company will be issued to the noteholders. Any convertible notes not converted will be redeemed on 4 September 2010 at the principal amount outstanding, together with accrued interest thereon up to and including 4 September 2010. The notes carry interest at a prime rate as quoted by The Hongkong and Shanghai Banking Corporation Limited minus 1.5% per annum on the principal amount of the notes outstanding from time to time accruing from the date of issue on a daily basis, which is payable annually in arrears.

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar note without a conversion option. The residual amount is assigned as the equity component and is included in shareholders' equity.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

23. Convertible notes (continued)

The convertible notes outstanding during the year have been split as to the liability and equity components, as follows:

	2007	2006
	<i>\$'000</i>	<i>\$'000</i>
Nominal value of convertible notes issued	5,050	5,050
Equity component	(867)	(867)
	<u>4,183</u>	<u>4,183</u>
Liability component at the issuance date and at end of year	<u><u>4,183</u></u>	<u><u>4,183</u></u>

The company's inability to repay certain debts is an event of default under the terms of the convertible notes and therefore the liabilities of the convertible notes are classified under current liabilities.

24. Deferred taxation

The movement for the year in the net deferred tax assets/(liabilities) is as follows:

	2007	2006
	<i>\$'000</i>	<i>\$'000</i>
At beginning of year	–	1,937
Written off and charged to the consolidated income statement	–	(1,937)
	<u>–</u>	<u>–</u>
At end of year	<u><u>–</u></u>	<u><u>–</u></u>

	2007	2006
	<i>\$'000</i>	<i>\$'000</i>
Deferred tax liabilities	–	–
Deferred tax assets	–	–
	<u>–</u>	<u>–</u>
	<u><u>–</u></u>	<u><u>–</u></u>

At the balance sheet date the group has unused tax losses of \$41,900,000 (2006: \$41,900,000) available for offset against future profits. A deferred tax asset has been recognised in respect of \$12,200,000 (2006: \$12,200,000) of such losses. No deferred tax asset has been recognised in respect of the remaining \$29,700,000 (2006: \$29,700,000) and the recognised deferred tax assets arising from tax losses were fully written off during the prior year due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

No provision for deferred taxation has been made in the financial statements of the company as the tax effect of temporary differences is immaterial to the company.

There was no other material unprovided deferred tax in respect of the current, prior years or as at the balance sheet dates.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

25. Share capital

	2007 \$'000	2006 \$'000
Authorised:		
4,000,000,000 ordinary shares of \$0.05 each	<u>200,000</u>	<u>200,000</u>
Issued and fully paid:		
330,874,303 ordinary shares of \$0.05 each	<u>16,544</u>	<u>16,544</u>

26. Reserves

	Share premium \$'000	Contributed surplus \$'000	Capital redemption reserve \$'000	Convertible notes reserve (note 23) \$'000	Accumulated losses \$'000	Total \$'000
Balance at						
1 April 2005	138,367	69,476	109	–	(67,426)	140,526
Convertible notes – equity component	–	–	–	867	–	867
Issue of shares	3,764	–	–	–	–	3,764
Net loss for the year	–	–	–	–	(532,108)	(532,108)
Balance at 31 March 2006 and 1 April 2006	142,131	69,476	109	867	(599,534)	(386,951)
Transfer	–	–	–	(867)	867	–
Net loss for the year	–	–	–	–	(3,352)	(3,352)
Balance at 31 March 2007	<u>142,131</u>	<u>69,476</u>	<u>109</u>	<u>–</u>	<u>(602,019)</u>	<u>(390,303)</u>

Notes:

- i. Contributed surplus of the company represents the excess of fair value of the issued share capital of subsidiaries acquired pursuant to a group reorganisation which took place in 1991, over the nominal value of the company's shares issued in exchange therefor.
- ii. At 31 March 2007, no distributable reserve of the company was available for distribution.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

27. Operating lease arrangements

The group as lessee

	The group	
	2007	2006
	<i>\$'000</i>	<i>\$'000</i>
Minimum lease payments paid under operating leases during the year are as follows:		
Premises	332	3,191

At the balance sheet date, the group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	The group		The company	
	2007	2006	2007	2006
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Within one year	1,459	2,022	–	–
In the second to fifth years inclusive	63	1,354	–	–
	1,522	3,376	–	–

Leases are negotiated for an average term of two years (2006: two years) and the rentals are fixed during the relevant lease periods.

The group as lessor

The group had contracted with tenants for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	The group	
	2007	2006
	<i>\$'000</i>	<i>\$'000</i>
Within one year	–	588
In the second to fifth years inclusive	–	–
	–	588

28. Capital commitments

	The group	
	2007	2006
	<i>\$'000</i>	<i>\$'000</i>
Capital expenditures contracted for but not provided in the financial statements in respect of capital injection to a subsidiary	30,169	30,169

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

29. Contingent liabilities

- (a) At the balance sheet date, there were contingent liabilities in respect of:-

	The group		The company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Guarantee given to certain banks and a financial institution to secure banking facilities granted to its subsidiaries and a jointly controlled entity	–	–	158,000	158,000
Guarantee given to a bank to guarantee banking facilities and a financial institution to guarantee a performance bond in respect of a property services contract undertaken by a jointly controlled entity	5,300	5,300	–	–
Guarantee given to a third party for two short-term loan facilities	–	–	6,000	6,000
	<u>5,300</u>	<u>5,300</u>	<u>164,000</u>	<u>164,000</u>

- (b) DCCL has contractual disputes with the Hong Kong Housing Authority (“HKHA”) and Architectural Services Department (“ASD”), as DCCL has seriously delayed the progress of several existing projects. HKHA terminated three building construction contracts with DCCL and re-entered the respective sites under these contracts on 17 February 2006, and filed claims against DCCL and the company on all losses incurred on DCCL’s performance and loss arising from re-tender of construction contracts. ASD has also filed a claim against DCCL or all losses incurred on DCCL’s performance and outstanding works. In the absence of any further information, the group is unable to determine, on a reasonable and proper basis, the financial impact that might arise in respect of the disputes with HKHA and ASD.

30. Pledge of assets

The group

- (a) At 31 March 2006, certain banking facilities granted to the group or to secure issuance of performance bonds in respect of certain construction contracts were secured by the pledge of the group’s leasehold land. Such leasehold land was disposed of by the mortgagee during the year ended 31 March 2007 (note 12). The available-for-sale investment was pledged to a third party to secure a short-term facility obtained by a wholly-owned subsidiary. Subsequent to the balance sheet date, the short-term facility has been fully repaid. Details are set out in notes 16 and 32 to the financial statements.
- (b) On 2 December 2005, DCCL, a wholly owned subsidiary of the company, assigned all monies receivable by DCCL from certain maintenance contracts and all other rights, title, interest and benefit relating to this receivable to a bank as an additional security over the facility obtained by DCCL.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

31. Related party disclosures

The significant transactions with related parties during the year, and significant balances with them at the balance sheet date are as follows:

(a) (i) *Transactions*

Related parties	Nature of transactions	2007 \$'000	2006 \$'000
Jointly controlled entity ("JCE")	Loan interest paid by the group (note i)	–	11
	Management fee income charged by the group (note ii)	–	256
	Rental income charged by the group (note iii)	–	192

Notes:

- i. Interest was charged at Hong Kong dollar prime lending rate.
 - ii. Pursuant to a shareholders' agreement signed among the shareholders of JCE on 26 February 2003, the group provided leader services to the JCE for a period of three years commencing from 1 June 2003. The group charged the JCE at 1% on income generated from the JCE as leader fee income.
 - iii. Pursuant to a facility letter signed between the group and the JCE on 1 June 2003, the group leased an office area to the JCE for a period of one year commencing from 1 June 2003. The monthly rental charge was \$18,000.
- (a) (ii) During the year ended 31 March 2005, DCCL provided consultancy services to China Energy and Environmental Protection Group Limited ("CEEP") and an amount of \$8,400,000 was due from CEEP as at 31 March 2005. CEEP is a company beneficially owned by Mr. Lam Chin Wang. Mr. Lam became a substantial shareholder of the company on 13 June 2005.

On 27 January 2006, DCCL entered into a loan agreement with Solution Link Limited ("SLL"), a parent company of CEEP, to obtain a short-term loan facility of \$7,000,000. Pursuant to the above loan agreement, SLL is entitled to offset the loan against DCCL's receivable from CEEP, which amounted to approximately \$7,000,000, if DCCL fails to repay the loan. DCCL failed to repay the loan upon its maturity on 10 March 2006.

(b) *Balances*

Details of balance with the group's jointly controlled entity are set out in note 19 to the financial statements.

- (c) Members of key management during the year comprised the directors only whose remuneration is set out in note 8(a) to the financial statements.

32. Significant post-balance sheet events

- (1) On 29 May 2007, Mr. Stephen Liu Yiu Keung ("Mr. Liu") and Mr. Robert Armor Morris ("Mr. Morris") were appointed by the High Court of Hong Kong as the Liquidators of the company. It was further ordered by the High Court of Hong Kong that a committee of inspection be set up. Mr. Liu and Mr. Morris were also appointed as the joint and several liquidators of DCCL on the same day.
- (2) On 7 June 2007, the company was placed into the third stage of the delisting procedure in accordance with Practice Note 17 to the Listing Rules.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

32. Significant post-balance sheet events (continued)

- (3) The Liquidators appointed Asian Capital (Corporate Finance) Limited on 21 June 2007 as financial adviser to the company with a view to restructuring the company and submitting a resumption proposal to the Stock Exchange as soon as practicable.
- (4) On 10 September 2007, a preliminary agreement and an exclusivity agreement were entered into amongst the Liquidators, the company and an investor (the “Parties”), and an escrow agreement was entered into amongst the Parties and an escrow agent on the same day. Pursuant to the exclusivity agreement, the Liquidators granted the investor an exclusive right up to 31 October 2007 to negotiate a legally binding agreement for the implementation of the restructuring proposal.
- (5) On 31 October 2007, an extension letter for the exclusivity agreement was executed amongst the Parties to extend the exclusivity period to 5 November 2007.
- (6) On 5 November 2007, the formal agreement was entered into amongst the Parties, and a convertible notes subscription agreement was entered into amongst the Liquidators, the company and a subscriber for the convertible notes. On 9 November 2007, a second escrow agreement was entered amongst the Parties and the escrow agent.
- (7) On 21 November 2007, the company submitted a proposal to the Listing Division of the Stock Exchange, setting out the principal terms of the proposed restructuring, and requesting the Stock Exchange’s conditional approval for the resumption of trading in the shares of the company. As part of the Resumption Proposal, all subsidiaries of the company (including Interform and 德森 (note 13)) except for Dickson Guangdong, will be disposed of to a new company to be held by scheme administrators, being the Liquidators, for a nominal consideration.
- (8) Between October 2007 and December 2007, the short-term facility of \$3,000,000 obtained by a wholly-owned subsidiary was repaid and the available-for-sale investment was fully proposed of.

33. Financial risk management

The main risks arising from the group’s financial instruments in the normal course of the group’s business are credit risk, liquidity risk, interest rate risk, and currency risk. These risks are limited by the group’s financial management policies and practices described below. Generally, the group introduces conservative strategies on its risk management. The group has not used any derivatives and other instruments for hedging purposes nor does it hold or issue derivative financial instruments for trading purposes.

(a) Credit risk

The group’s principal financial assets are bank balances and cash, trade and other receivables, and investment.

The group’s credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of provisions for doubtful receivables. A provision for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

33. Financial risk management (continued)

(b) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, details of which are set out in note 2.1 to the financial statements.

(c) Fair value and cash flow interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The group's exposure to fair value and cash flow interest risks is minimal as the group does not have any long-term financial assets and liabilities.

(d) Foreign exchange risk

The group's main operations are in Hong Kong and have no significant exposure to any specific foreign currency other than Hong Kong dollars.

(e) Fair value estimation

All financial instruments are carried at amounts not materially different from their fair value as at 31 March 2007.

Fair value of interest-bearing loans, borrowings, and finance lease liabilities is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

34. Retirement Benefit Schemes

The group operates a defined contribution retirement benefit scheme for all qualifying employees. The assets of the scheme are separately held in funds under the control of an independent administrator.

The cost charged to the income statement represents contributions payable to the funds by the group at rates specified in the rules of the scheme. Where there are employees who leave the scheme prior to vesting fully in the contributions, the contributions payable by the group are reduced by the amount of forfeited contributions.

At the balance sheet date, there were no significant forfeited contributions which arose upon employees leaving the scheme prior to their interests in the group's contributions becoming fully vested and which are available to reduce the contributions payable by the group in future years.

In addition to the retirement benefit scheme operated by the group, the group is required to contribute to a Mandatory Provident Fund for certain employees based on applicable rates of monthly salary in accordance with government regulations.

FIVE YEARS SUMMARY

The following table summarises the results, the assets and liabilities of the group for each of five years ended 31 March 2007:

RESULTS

	Year ended 31 March				
	2003	2004	2005	2006	2007
	\$'000	\$'000	\$'000	\$'000	\$'000
Turnover	1,366,295	1,385,774	1,027,528	339,429	36
Profit/(loss) before taxation	(11,533)	13,359	14,761	(748,863)	(4,110)
Taxation	673	(4,774)	(3,428)	(2,034)	(3)
Profit/(loss) before minority interest	(10,860)	8,585	11,333	(750,897)	(4,113)
Minority interest	98	2	4	3	–
Profit/(loss) attributable to the equity holders of the company	(10,762)	8,587	11,337	(750,894)	(4,113)

ASSETS AND LIABILITIES

	At 31 March				
	2003	2004	2005	2006	2007
	\$'000	\$'000	\$'000	\$'000	\$'000
Total assets	661,976	782,326	838,691	13,766	13,346
Total liabilities	(547,809)	(636,569)	(654,481)	(574,740)	(579,001)
Shareholders' equity	114,167	145,757	184,210	(560,974)	(565,655)