Dickson Group Holdings Limited

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

2005/06

Interim Report

CORPORATE INFORMATION

Executive Directors

Lin Xiong *(Chairman)*
(appointed as Executive Director on October 7, 2005 and as Chairman on November 17, 2005)
CHIN Wai Kay, Geordie
PUN Yat *(resigned on January 1, 2006)*
CHENG Ping Kong, James
(resigned on January 1, 2006)

Non-Executive Director

LEUNG Chi Ching, Frederick
(resigned on March 4, 2006)

Independent Non-Executive Directors

WONG Ying Sheung
YU Li Chi
(appointed on March 8, 2006)
YU Chi Wai
(appointed on March 8, 2006)
LAU Sai Chung
(resigned on March 4, 2006)
MO Wai Bun
(resigned on March 4, 2006)

Company Secretary

LEE Ling Ling

Registered Office

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

Principal Office in Hong Kong

23rd Floor
Vicwood Plaza
199 Des Voeux Road Central
Hong Kong

Auditors

RSM Nelson Wheeler

Hong Kong Share Registrars and Transfer Office

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

Principal Bankers

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 Spurling Hunter
Gallant Y.T. Ho & Co.
Sidley Austin
Peter Lau & Co.

Internet Address

http://www.dicksongroup.com.hk

Stock Code

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The Directors of Dickson Group Holdings Limited (the "Company") are pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended September 30, 2005 together with comparative figures for the corresponding period in 2004, the unaudited condensed consolidated balance sheet of the Group as at September 30, 2005 with the comparative audited figures for the immediate preceding year end and unaudited condensed consolidated cash flow statement of the Group for the six months ended September 30, 2005 together with comparative figures for the corresponding period in 2004 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2005

		For the Six months ended September 30,	
		2005	2004
	Note	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited and restated)
Turnover	*4*	**225,452**	609,578
Cost of sales		**(242,516)**	(580,073)
Gross (loss)/profit		**(17,064)**	29,505
Other operating income		**272**	2,447
Administrative expenses		**(14,847)**	(27,096)
Other operating expenses		**(67,508)**	–
(Loss)/profit from operations		**(99,147)**	4,856
Interest on borrowings wholly repayable within five years		**(3,643)**	(743)
		(102,790)	4,113
Loss on deemed disposal of an associate		**(3,343)**	–
Discount on acquisition of a subsidiary		**883**	–
Share of result of an associate	*6*	**–**	(404)
Share of result of a jointly controlled entity		**170**	209
(Loss)/profit before taxation	*5*	**(105,080)**	3,918
Taxation	*7*	**(3,790)**	(1,229)
(Loss)/profit for the period		**(108,870)**	2,689
Attributable to:			
Equity holders of the parent		**(108,869)**	2,690
Minority interests		**(1)**	(1)
		(108,870)	2,689
(Loss)/earnings per share			
– Basic	*9*	**(34.16 cents)**	1.54 cents
– Diluted	*9*	**(34.16 cents)**	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

AT SEPTEMBER 30, 2005

	Note	9.30.2005 HK$'000 (unaudited)	3.31.2005 HK$'000 (audited and restated)
Non-current assets			
Investment properties	10 & 19	21,130	17,000
Property, plant and equipment	10 & 19	5,666	6,457
Goodwill		27,162	27,162
Interest in an associate		–	9,883
Interest in a jointly controlled entity		359	188
Prepaid lease payments	19	1,336	1,352
Deposits made for acquisition of investment properties		–	6,561
Available-for-sale financial assets	11 & 25(f)	5,840	–
Deferred tax assets		–	2,293
Interest in unconsolidated subsidiary	12	16,631	–
		78,124	70,896
Current assets			
Amounts due from customers for contract work		271,615	199,451
Trade and other receivables	13	320,567	500,383
Prepaid lease payments	19	33	33
Amount due from a jointly controlled entity		3,582	4,387
Tax recoverable		65	127
Pledged bank deposits	19	8,200	8,200
Bank balances, deposits and cash		5,069	55,134
		609,131	767,715
Current liabilities			
Amounts due to customers for contract work		13,965	9,880
Trade and other payables	14	420,940	501,454
Amount due to a minority shareholder of a subsidiary		25	25
Borrowings – due within one year	15 & 25(g)	164,472	85,230
Obligations under finance leases – due within one year		167	189
Tax payable		3,430	2,048
		602,999	598,826

CONDENSED CONSOLIDATED BALANCE SHEET *(CONTINUED)*

AT SEPTEMBER 30, 2005

	Note	9.30.2005 HK$'000 (unaudited)	3.31.2005 HK$'000 (audited and restated)
Net current assets		6,132	168,889
Total assets less current liabilities		84,256	239,785
Non-current liabilities			
Bank borrowings-due after one year	15 & 25(g)	–	55,500
Obligations under finance leases – due after one year		82	155
Convertible notes	16	4,183	–
		4,265	55,655
Net Assets		79,991	184,130
Capital and reserves			
Share capital	17	16,544	15,744
Reserves		63,445	168,383
Equity attributable to equity holders of the parent		79,989	184,127
Minority interests		2	3
Total Equity		79,991	184,130

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2005

	Attributable to equity holders of the parent (unaudited)												
	Share capital HK$'000	Share premium HK$'000	Equity component of convertible notes HK$'000	Contributed surplus HK$'000	Capital redemption reserve HK$'000	Translation reserve HK$'000	Merger reserve HK$'000	Investment properties revaluation reserve HK$'000	Financial asset revaluation reserve HK$'000	Accum-ulated losses HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
At April 1, 2004													
As previously reported	7,720	119,271	–	69,476	109	(3)	1,650	–	–	(52,473)	145,750	7	145,757
Effects of changes in accounting policies – HKAS 17	–	–	–	–	–	–	–	–	–	(404)	(404)	–	(404)
As restated	7,720	119,271	–	69,476	109	(3)	1,650	–	–	(52,877)	145,346	7	145,353
Conversion of convertible notes to shares	1,543	3,857	–	–	–	–	–	–	–	–	5,400	–	5,400
Profit/(loss) for the period, as previously reported	–	–	–	–	–	–	–	–	–	2,706	2,706	(1)	2,705
Effect of changes in accounting policies – HKAS 17	–	–	–	–	–	–	–	–	–	(16)	(16)	–	(16)
As restated	–	–	–	–	–	–	–	–	–	2,690	2,690	(1)	2,689
At September 30, 2004 as restated	9,263	123,128	–	69,476	109	(3)	1,650	–	–	(50,187)	153,436	6	153,442
Right issue of shares	4,631	10,581	–	–	–	–	–	–	–	–	15,212	–	15,212
Issue of new shares by way of placement	1,850	4,781	–	–	–	–	–	–	–	–	6,631	–	6,631
Consolidation of shares	–	(123)	–	–	–	–	–	–	–	–	(123)	–	(123)
Surplus on revaluation of investment properties	–	–	–	–	–	–	–	2,032	–	–	2,032	–	2,032
Profit/(loss) for the period, as previously reported	–	–	–	–	–	–	–	–	–	6,955	6,955	(3)	6,952
Effect of changes in accounting policies – HKAS 17	–	–	–	–	–	–	–	–	–	(16)	(16)	–	(16)
As restated	–	–	–	–	–	–	–	–	–	6,939	6,939	(3)	6,936
At March 31, 2005 as restated	15,744	138,367	–	69,476	109	(3)	1,650	2,032	–	(43,248)	184,127	3	184,130
Effects of changes in accounting policies	–	–	–	–	–	–	–	(2,032)	–	2,032	–	–	–
As restated	15,744	138,367	–	69,476	109	(3)	1,650	–	–	(41,216)	184,127	3	184,130
Issue of new shares by way of placement	800	3,763	–	–	–	–	–	–	–	–	4,563	–	4,563
Issue of convertible notes	–	–	867	–	–	–	–	–	–	–	867	–	867
Fair value gains on available-for-sale financial assets	–	–	–	–	–	–	–	–	(701)	–	(701)	–	(701)
Deemed disposal of an associate	–	–	–	–	–	2	–	–	–	–	2	–	2
Loss for the period	–	–	–	–	–	–	–	–	–	(108,869)	(108,869)	(1)	(108,870)
At September 30, 2005	16,544	142,130	867	69,476	109	(1)	1,650	–	(701)	(150,085)	79,989	2	79,991

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2005

	Six months ended September 30, 2005 HK$'000 (unaudited)	2004 HK$'000 (unaudited and restated)
Net cash used in operating activities	**(67,408)**	(41,351)
Net cash used in investing activities	**(15,917)**	(3,471)
Net cash from financing activities	**16,675**	38,634
Net decrease in cash and cash equivalents	**(66,650)**	(6,188)
Cash and cash equivalents at beginning of the period	**32,151**	17,424
Cash and cash equivalents at end of the period	**(34,499)**	11,236
Analysis of the balance of cash and cash equivalents		
Bank balances, deposits and cash	**5,069**	11,236
Bank overdrafts	**(39,568)**	–
	(34,499)	11,236

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2005

1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard No. 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

Subsequent to balance sheet date, certain creditors have taken legal actions against a major subsidiary of the Group and two creditors have filed a winding-up petition against it on January 27, 2006 and March 1, 2006 respectively. Several other creditors have intended to support the petition. Further, the Hong Kong Housing Authority (“HKHA”) unilaterally terminated three construction contracts previously awarded to the a major subsidiary with a total contract sum of approximately HK$1.3 billion and re-entered into the construction sites of the projects on February 17, 2006.

Nevertheless, the directors have adopted the going concern basis in the preparation of these condensed financial statements based on the following assumptions:

(a) The Company is able to obtain new project loans to finance its construction projects in the PRC;

(b) The Company is able in obtaining the banks’ agreement to extend or re-schedule the repayment terms;

(c) The Group is currently seeking potential buyers to dispose of its investments and properties to obtain additional cash resources for repayment of its bank borrowing and/or to provide additional working capital;

(d) The major subsidiary intends to oppose the winding-up petitions and will propose a restructuring scheme which will be accepted by the majority of creditors; and

(e) The substantial shareholders will support the Company to raise fund by issuing new equity shares when necessary.

Having regard to the cash flow projections of the Group, which are based on the assumptions that these measures will be successful, in the opinion of the directors, the Group will have sufficient working capital to finance its operation to maintain its operating existence in the foreseeable future. Accordingly, the directors are satisfied that it is appropriate to prepare the accounts on a going concern basis.

1. BASIS OF PREPARATION *(CONTINUED)*

Should the Group be unable to continue as a going concern, adjustments will have to be made in the financial statements to re-state the values of the assets to their recoverable amounts, to provide for any further liabilities which might arise and to re-classify non-current assets and non-current liabilities as current assets and current liabilities respectively.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared on the historical cost basis except for certain investment properties and financial instruments, which are measured at fair values or revalued amounts, as appropriate.

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended March 31, 2005 except as described below.

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA that are effective for accounting periods beginning on or after January 1, 2005. The application of the new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and the statement of changes in equity. In particular, the presentation of minority interests and share of tax of an associate/jointly controlled entity have been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented:

(i) Business Combinations

In the current period, the Group has applied HKFRS 3, *Business Combinations*, which is effective for business combinations for which the agreement date is on or after January 1, 2005. The principal effects of the application of HKFRS 3 to the Group are summarised below:

Goodwill

In previous periods, goodwill arising on acquisitions prior to April 1, 2001 was held in reserves and goodwill arising on acquisitions after April 1, 2001 was capitalised and amortised over its estimated useful life. The Group has applied the relevant transitional provisions in HKFRS 3. With

2. PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

(i) Business Combinations *(Continued)*

Goodwill (Continued)

respect to goodwill previously capitalised on the balance sheet, the Group has ceased to amortise such goodwill from April 1, 2005 onwards and goodwill will be tested for impairment at least annually or in the financial year in which the acquisition takes place. Goodwill arising on acquisitions after January 1, 2005 is measured at cost less accumulated impairment losses after initial recognition. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current period. Comparative figures for the year ended March 31, 2005 have not been restated.

Excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (previously known as "negative goodwill")

In accordance with HKFRS 3, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition ("discount on acquisition') is recognised immediately in profit or loss in the period in which the acquisition takes place. In previous periods, negative goodwill arising on acquisitions prior to April 1, 2001 was held in reserves, and negative goodwill arising on acquisitions after April 1, 2001 was presented as a deduction from assets and released to income based on an analysis of the circumstances from which the balance resulted. With effect from January 1, 2005, if the fair value of the net assets acquired in a business combination exceeds the consideration paid (i.e. an amount arises which would have been known as negative goodwill under the previous accounting policy), the excess is recognised immediately in the consolidated income statement as it arises. As a result of this change in accounting policy relating to negative goodwill had no effect on the interim financial report as there was no negative goodwill deferred as at March 31, 2005 and negative goodwill has been recognised in the period.

2. PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

(i) Business Combinations *(Continued)*

Contingent liabilities of acquirees

In accordance with HKFRS 3, contingent liabilities of an acquiree are recognised at the date of the acquisition if the fair value of the contingent liabilities can be measured reliably. Previously, contingent liabilities of acquirees were not recognised separately from goodwill. As no material contingent liabilities of the acquirees were identified in relation to acquisition that took place in the current period, this change in accounting policy has had no material effect on the goodwill calculation. In addition, because the revised accounting policy has been applied prospectively to acquisitions for which the agreement date is on or after January 1, 2005, comparative figures for the year ended March 31, 2005 have not been restated.

(ii) Financial Instruments

In the current period, the Group has applied HKAS 32 *Financial Instruments: Disclosure and Presentation* and HKAS 39 *Financial Instruments:* Recognition and Measurement. HKAS 32 requires retrospective application. HKAS 39, which is effective for annual periods beginning on or after January 1, 2005, generally does not permit to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 32 and HKAS 39 are summarised below:

Convertible notes

HKAS 32 requires an issuer of a compound financial instrument (that contains both financial liability and equity components) to separate the compound financial instrument into its liability and equity components on its initial recognition and to account for these components separately. In subsequent periods, the liability component is carried at amortised cost using the effective interest method. The principal impact of HKAS 32 on the Group is in relation to convertible notes issued by the Company that contain both liability and equity components. Previously, convertible notes were classified as liabilities on the balance sheet. The change in policy relating to convertible notes had no effect on the interim financial report as there was no convertible notes as at March 31, 2005.

2. PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

(ii) Financial Instruments *(Continued)*

Available-for-sale financial assets

In accordance with HKAS 39, all non-trading investments are classified as available-for-sale financial assets and carried at fair value. Charges in fair value are recognised in equity, unless there is objective evidence that an individual investment has been impaired. If there is objective evidence that an individual investment has been impaired, any amount held in the fair value reserve in respect of the investment is transferred to the income statement for period in which the impairment is identified. Any subsequent increase in the fair value of available-for-sale equity financial assets is recognised directly in equity. As a result of this change in accounting policy relating to available-for-sales financial assets had no effect on the interim financial report as there was no non-trading investments as at March 31, 2005.

(iii) Owner-occupied Leasehold Interest in Land

In previous periods, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model. In the current period, the Group has applied HKAS 17 *Leases*. Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term in accordance with the pattern of benefits provided. This change in accounting policy has been applied retrospectively (see Note 3 for the financial impact).

2. PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

(iv) Investment Properties

In the current period, the Group has, for the first time, applied HKAS 40 *Investment Property*. The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in the profit or loss for the period in which they arise. In previous periods, investment properties under the predecessor Standard were measured at open market values, with revaluation surplus or deficits credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and revaluation subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged. The Group has applied the relevant transitional provisions in HKAS 40 and elected to apply HKAS 40 from April 1, 2005 onwards. The amount held in investment property revaluation reserve at April 1, 2005 has been transferred to the Group's accumulated losses as at that date (See Note 3 for the financial impact).

(v) Interests in Jointly Controlled Entities

In previous periods, interests in jointly controlled entities were accounted for using the equity method. In current period, the Group has applied HKAS 31 *Interests in Jointly Controlled Entities*, which allows entity to use either proportionate consolidation or the equity method to account for its interests in jointly controlled entities. Upon the application of HKAS 31, the Group has elected to continue applying the equity method to account for its interests in a jointly entity. As a result, there has been no change in accounting method in respect of the Group's interests in a jointly controlled entity.

(vi) Minority Interests

In previous periods, minority interests at the balance sheet date were presented in the consolidated balance sheet separately from liabilities and as deduction from net assets. Minority interests in the results of the Group for the period were also separately presented in the income statement as a deduction before arriving at the profit attributable to equity holders of the parent.

2. PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

(vi) Minority Interests *(Continued)*

With effect from April 1, 2005, in order to comply with HKAS 1 *Presentation of financial statements* and HKAS 27 *Consolidation of financial and separate financial statement*, minority interests at the balance sheet date are presented in the consolidated balance sheet within equity, separately from the equity attributable to the equity holders of the parent, and minority interests in the results of the Group for the period are presented on the face of the consolidated income statement as an allocation of the total results for the period between the minority interests and the equity holders of the parents.

The presentation of minority interests in the consolidated balance sheet, income statement and statement of changes in equity for the comparative period has been restated accordingly.

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The effects of the changes in the accounting policies described above on the results for the current and prior period are as follows:

(i) On results:

	For the six months ended September 30,	
	2005	2004
	(unaudited)	(unaudited and restated)
	HK$'000	*HK$'000*
Decrease in amortisation of goodwill	**1,582**	–
Increase in amortisation of prepaid lease payments	**(16)**	(16)
Discount on acquisition of subsidiary recognised directly to income statement	**883**	–
Total effect for the period	**2,449**	(16)

(ii) On income statement line items:

	For the six months ended September 30,	
	2005	2004
	(unaudited)	(unaudited and restated)
	HK$'000	*HK$'000*
Decrease in administrative expenses	**1,566**	(16)
Discount on acquisition of subsidiary	**883**	–
	2,449	(16)

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES *(CONTINUED)*

The cumulative effects of the application of the new HKFRSs to the Group's consolidated balance sheet as 3.31.2005 and 4.1.2005 are as follows:

	As at 3.31.2005 (originally stated)	Adjustments	As at 3.31.2005 (restated)	Adjustments	As at 4.1.2005 (restated)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets and liabilities					
Property, plant and equipment	8,278	(1,821)	6,457	–	6,457
Prepaid lease payments	–	1,385	1,385	–	1,385
Other assets/ current liabilities	231,943	–	231,943	–	231,943
Total assets less current liabilities	240,221	(436)	239,785	–	239,785
Non-current liabilities	55,655	–	55,655	–	55,655
Net assets	184,566	(436)	184,130	–	184,130
Capital and reserves					
Share capital	15,744	–	15,744	–	15,744
Accumulated losses	(42,812)	(436)	(43,248)	2,032	(41,216)
Investment properties revaluation reserve	2,032	–	2,032	(2,032)	–
Other reserves	209,599	–	209,599	–	209,599
Equity attributable to equity holders of the parent	184,563	(436)	184,127	–	184,127
Minority interests	3	–	3	–	3
Total equity	184,566	(436)	184,130	–	184,130

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES *(CONTINUED)*

The financial effects of the application of the new HKFRSs to the Group's equity at April 1, 2004 are summarised below:

	As originally stated	Adjustments	As restated
	HK$'000	*HK$'000*	*HK$'000*
Accumulated losses	52,473	404	52,877

4. SEGMENT INFORMATION

Business segments

The principal activity of the Group is acting as contractor of construction and maintenance work. The construction and maintenance work division is the principal business segment of the Group.

	For the six months ended September 30, 2005		
	Construction and maintenance work	**Others**	**Group**
	HK$'000	***HK$'000***	***HK$'000***
Turnover			
External sales	**225,077**	**375**	**225,452**
Segment results	**(84,786)**	**(10,027)**	**(94,813)**
Unallocated other operating income			**272**
Unallocated corporate expenses			**(4,606)**
Loss from operations			**(99,147)**

4. SEGMENT INFORMATION *(CONTINUED)*

	For the six months ended September 30, 2004		
	Construction and maintenance work	Others	Group
	HK$'000	*HK$'000*	*HK$'000*
Turnover			
External sales	609,120	458	609,578
Segment results	7,950	(411)	7,539
Unallocated other operating income			2,447
Unallocated corporate expenses			(5,130)
Profit from operations			4,856

5. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation has been arrived at after (crediting)/charging the following items:

	For the six months ended September 30,	
	2005	2004
	HK$'000	*HK$'000*
Amortisation of goodwill	**–**	1,495
Provision for doubtful debts	**64,188***	–
Amortisation of lease premium for prepaid lease payments	**16**	16
Depreciation	**911**	843
Deficit arising from change in fair value of investment properties	**3,320***	–
Interest income	**(96)**	(356)
Discount on acquisition of a subsidiary	**(883)**	–
Loss on disposal of property, plant and equipment	**65**	104
Loss on deemed disposal of an associate	**3,343**	–

* Included in other operating expenses in condensed income statements.

6. SHARE OF RESULT OF AN ASSOCIATE

None of the amortisation charges are included in the share of results of an associate in the condensed financial statement in the current period (six months ended September 30, 2004: HK$245,640).

7. TAXATION

	For the six months ended September 30,	
	2005	2004
	HK$'000	*HK$'000*
The charge/(credit) comprises:		
Hong Kong Profits Tax		
Current period	**–**	–
Under provision in previous years	**1,497**	–
	1,497	–
Deferred taxation		
Reversal of deferred tax assets	**2,293**	–
Release of deferred tax assets	**–**	1,229
	2,293	1,229
	3,790	1,229

Hong Kong Profits Tax is provided at 17.5% (2004: 17.5%) of the estimated assessable profit for the six months ended September 30, 2005.

Taxation arising in other jurisdictions is provided at the rates prevailing in the relevant jurisdictions.

8. DIVIDENDS

No dividends were paid during the period. The directors do not recommend the payment of an interim dividend for the period ended September 30, 2005 (six months ended September 30, 2004: Nil).

9. (LOSS)/EARNINGS PER SHARE

Basic loss per share

The calculation of basic loss per share is based on the loss attributable to shareholders for the period of HK$108,869,000 (six months ended September 30, 2004: restated profit of HK$2,690,000) and the weighted average of 318,742,000 (six months ended September 30, 2004: restated 175,128,000) shares in issue during the period.

Diluted loss per share

The computation of the diluted loss per share does not assume the conversion of convertible notes since their exercise would result in a decrease in loss per share for the six months ended September 30, 2005.

No diluted earnings per share amount is presented as the Company did not have any dilutive potential ordinary shares for the six months ended September 30, 2004.

10. MOVEMENTS IN INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

During the period, the Group disposed of a motor vehicle with a carrying amount of HK$77,000 for proceeds of HK$12,000, resulting in a loss on disposal of HK$65,000.

During the period, the Group acquired an investment property located in Shenzhen at a valuation of HK$7,450,000 through the acquisition of a subsidiary (Note 23).

The Group's investment properties located in Hong Kong were valued by the directors at September 30, 2005 based on the open market value. The resulting deficit in fair value of investment property of HK$3,320,000 has been charged directly to the condensed consolidated income statement (Note 5).

11. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	9.30.2005	3.31.2005
	HK$'000	*HK$'000*
Listed equity investments, at fair value		
Hong Kong	**5,840**	–

Available-for-sale financial assets consist of investments in listed ordinary shares, and therefore have no fixed maturity date or coupon rate.

Subsequent to the balance sheet date, the above assets have been pledged to a third party to secure a short-term loan facility obtained by a wholly-owned subsidiary, details are set out in note 25 (f) to the condensed financial statements.

12. INTEREST IN UNCONSOLIDATED SUBSIDIARY

	9.30.2005	3.31.2005
	HK$'000	*HK$'000*
Unlisted shares, at cost	**3,600**	–
Advanced to unconsolidated subsidiary	**13,031**	–
	16,631	–

Particulars of the unconsolidated subsidiary held by the Group at September 30, 2005 are as follows:

Name	**Place of incorporation/ registration**	**Registered capital**	**Proportion of registered capital held by the Company**	**Principal activities**
德信建工(廣東)有限公司	The People's Republic of China	US$3,000,000 (note below)	100%	Building contractor

As at September 30, 2005, only US$461,538 (equivalent to HK$3,600,000) of the registered capital were paid up by the Group. The condensed consolidated financial statements do not include the results of this subsidiary as in the opinion of the directors, construction contracts operated by this subsidiary is at early stage and the impact to the condensed consolidated financial statements of the Group for the current period would not significant since it was established in the PRC on January 25, 2005.

13. TRADE AND OTHER RECEIVABLES

The credit terms granted by the Group to its trade customers normally range from 30 days to 90 days.

Included in trade and other receivables are trade receivables of HK$195,586,000 (3.31.2005: HK$ 330,244,000) whose ageing analysis is as follows:

	9.30.2005	3.31.2005
	HK$'000	*HK$'000*
Aged:		
Current	186,986	314,390
1-30 days overdue	–	–
31-180 days overdue	–	–
Over 180 days overdue	8,600	15,854
	195,586	330,244

14. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK$ 317,506,000 (3.31.2005: HK$412,266,000) whose ageing analysis is as follows:

	9.30.2005	3.31.2005
	HK$'000	*HK$'000*
Aged:		
Current	317,506	412,266

15. BORROWINGS

	9.30.2005 HK$'000	3.31.2005 HK$'000
Bank loans	120,904	112,747
Bank overdrafts	39,568	22,983
Other loan	4,000	5,000
	164,472	140,730
Analysed as:		
Secured *(note 19)*	160,472	135,730
Unsecured	4,000	5,000
	164,472	140,730
The borrowings are repayable as follows:		
Within one year or on demand	164,472	85,230
Within second to fifth year	–	55,500
	164,472	140,730

16. CONVERTIBLE NOTES

The Company issued a convertible note on September 5, 2005. The note has a five-year term, and was issued at par with a face value of HK$5,050,000 with a total proceeds of HK$5,050,000. Interest is payable annually in arrears at a nominal annual interest rate of Hong Kong Dollar Prime rate minus 1.5%. The note-holder is entitled to 5% of the then issued share capital of the Company from time to time as enlarged by the issue of the conversion shares upon full conversion of the note.

The fair value of the liability component of the convertible note was determined, upon issuance, using the prevailing market interest rate of similar debt without a conversion option of 9.75% and is carried as a long-term liability. The remainder of the proceeds was allocated to the conversion option that is recognised and included in shareholders' equity.

17. SHARE CAPITAL

	Number of shares *'000*	Amount *HK$'000*
Ordinary shares of HK$0.05 each		
Authorised		
At April 1, 2005 and September 30, 2005	4,000,000	200,000
Issued and fully paid		
At April 1, 2005	314,874	15,744
Issue of new shares by way of placement	16,000	800
At September 30, 2005	330,874	16,544

On August 1, 2005, the Company has entered into a placing agreement with a placing agent in relation to the placing of 16,000,000 new shares to an independent investor at the placing price of HK$0.29 per share. The placing price represented (i) discount of approximately 4.92% to the closing price of HK$0.305 per share as quoted on the Stock Exchange on August 1, 2005; (ii) a discount of approximately 11.85% to the average of the closing price per share of HK$0.329 as quoted on the Stock Exchange for the last ten trading days ended August 1, 2005; and (iii) a discount of approximately 50.51% when compared with the net asset value per share of HK$0.586 as at March 31, 2005.

18. CAPITAL COMMITMENT

	9.30.2005 ***HK$'000***	3.31.2005 *HK$'000*
Capital expenditure contracted for but not provided in the financial statements in respect of capital injection to a subsidiary	**30,169**	46,800

19. PLEDGE OF ASSETS

At September 30, 2005, the following items were pledged to three banks and a financial institution to secure credit facilities granted to the Group or to secure issuance of performance bonds in respect of construction contracts:

(a) the Group's bank deposits of HK$8,200,000 (3.31.2005: HK$8,200,000);

(b) pledge of certain of the Group's other deposits of HK$1,476,000 included in trade and receivables (3.31.2005: HK$1,476,000);

(c) the Group's investment properties and leasehold land classified as "prepaid lease payments" situated in Hong Kong with net book value of HK$13,680,000 (3.31.2005: HK$17,000,000) and HK$1,369,000 (3.31.2005: HK$1,385,000) respectively;

(d) assignment of rental income received and receivable from the above-mentioned investment properties; and

(e) assignment over revenue accounts of certain construction contracts.

20. CONTINGENT LIABILITIES

(a) At September 30, 2005, the Company executed guarantees amounting to HK$158,000,000 (3.31.2005: HK$165,840,000) in favour of five banks to secure credit facilities granted to its subsidiaries and a jointly controlled entity.

(b) At September 30, 2005, the Group executed a guarantee amounted to HK$1,000,000 (3.31.2005: HK$1,840,000) in favour of a bank to guarantee banking facilities and a guarantee amounted to HK$4,300,000 (3.31.2005: HK$4,300,000) to a financial institution to guarantee a performance bond issued in respect of a property services contract undertaken by a jointly controlled entity.

(c) At June 10, 2005, the Company issued a form of guarantee in favour of City University of Hong Kong ("CU") to guarantee unconditionally the performance of the construction project undertaken by its subsidiary and indemnifies CU against all losses, damages, costs and expenses suffered or incurred by CU in respect of the project.

21. LITIGATION

(a) There were numbers of legal claims from various creditors filed against various subsidiaries of the Company in various courts and tribunals in Hong Kong since April 2005 with the aggregate value of the claims of approximately HK$96.3 million. Some of them have been fully settled. The directors considered that there were good defenses on the merits in respect of most of the proceedings of the outstanding litigation. However, the company has made a provision of HK$15.8 million being the difference for those legal claims with claimed amount exceeded the amount originally accounted for in the trade and other payables. The Directors also considered that the Group's liabilities, arising out of the above legal proceedings will not have material impact on the financial position of the company.

(b) On January 16, 2006, DCCL has received a winding-up petition from a creditor demanding the immediate repayment of outstanding invoices for a sum of approximately HK$430,000 approximately in respect of legal services provided by the creditor regarding several contractual disputes. Further to the announcement made by the Company on January 20, 2006, the winding-up petition against DCCL had been withdrawn by a consent order dated January 19, 2006.

(c) On January 27, 2006, DCCL received another winding-up petition from creditors demanding the immediate repayment of outstanding invoices for a sum of HK$420,000 approximately in respect of construction works performed by the creditors and completed in January 2006. On March 1, 2006, DCCL received further winding-up petition from a creditor demanding the immediate payment of outstanding amount for a sum of HK$944,994 approximately in respect of outstanding judgement debts and agreed costs under the Judgement dated January 9, 2006 obtained by a creditor against DCCL in the District court of the Hong Kong Special Administrative Region. DCCL intended to oppose the petitions and would propose a restructure scheme. DCCL had appointed independent advisors and lawyers to handle the legal matters and the restructure scheme. In the opinion of the Directors, the winding up petition would not have any material impact on the Group.

22. PERFORMANCE BONDS

At September 30, 2005, the Group had outstanding performance bonds amounting to HK$4,902,000 (3.31.2005: HK$4,902,000) in respect of construction contracts.

23. ACQUISITION OF A SUBSIDIARY

On July 20, 2005 the Group acquired 100% of the issued share capital of Interform Investment Limited ("Interform") for a consideration of HK$6,561,000 which was satisfied by the transfer of the deposits paid in previous years originally for the purchase of two properties in Shenzhen. This transaction has been accounted for using the purchase method of accounting.

Interform is a company incorporated in Hong Kong and has not commenced business since incorporation. The results of Interform since the acquisition date included in the Group's consolidated profit for the period is insignificant.

The net assets acquired in the transaction, and the excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost are as follows:

	Acquiree's carrying amount before combination *HK$'000*
Net assets acquired:	
Property, plant and equipment	7,450
Other payables	(6)
	7,444
Excess of the group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over costs	(883)
	6,561
Satisfied by:	
Deposits paid in previous years	6,561

Excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in condensed consolidated income statement in the period in which the acquisition take place.

24. RELATED PARTY DISCLOSURES

During the six months ended September 30, 2005, the Group received management fees and rental income from a jointly controlled entity totalling HK$220,000 (six months ended September 30, 2004: HK$1,425,000).

Key management personnel compensation

	For the six months ended September 30,	
	2005	2004
	HK$'000	*HK$'000*
Salaries and other short-term employee benefits	**2,968**	3,058
Termination benefits	**–**	324
Retirement benefit costs	**173**	181
	3,141	3,563

25. EVENTS AFTER THE BALANCE SHEET DATE

(a) On December 2, 2005, Dickson Construction Company Limited ("DCCL"), a major wholly-owned subsidiary of the Group, assigned all monies receivable by DCCL from a certain maintenance contract 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.

(b) At December 16, 2005, the Company issued a letter of guarantee in favour of the Hong Kong Housing Authority ("HKHA") to guarantee unconditionally the performance of three construction projects undertaken by its subsidiary and indemnifies HKHA against all losses, damages, costs and expenses suffered or incurred by HKHA in respect of these three projects.

(c) On January 20, 2006, DCCL entered into a loan agreement with Solution Link Limited ("SLL"), a parent company of China Energy and Environmental Protection Group Limited ("CEEP") to obtain a short-term loan facility of HK$7,000,000. SLL is entitled to offset the loan against DCCL's receivable from CEEP amounted to approximately HK$7,000,000 if DCCL fail to repay the loan. The loan is interest bearing at Hong Kong Dollar Prime rate and will be repayable on March 10, 2006. CEEP is a company beneficially owned by Mr. Lam Chin Wang, a substantial shareholder of the Company.

25. EVENTS AFTER THE BALANCE SHEET DATE *(CONTINUED)*

(d) On January 20, 2006, the Group entered into a Cancellation Agreement with the Purchaser to which both parties agree to cancel the Provision Agreement dated December 16, 2005 for the disposal of investment property (the "Property") by the Group. On the same date, the Group surrendered the possession of the Property with the carrying value of $13,680,000, by signing the Acknowledgement dated February 21, 2006, to the mortgagee for exercising its power of sale the Property without further notice to the Group.

(e) Subsequent to the balance sheet date, 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 February 17, 2006 and plans to claim for DCCL on all losses incurred on DCCL's performance and loss arising from re-tender of construction contracts. In the absence of any further information, the directors of the Company are unable to determine, on the reasonable and proper basis the financial impact that might arise in respect of the disputes with HKHA and ASD.

(f) On March 1, 2006, i-Concepts Investment Limited, a wholly-owned subsidiary company of the Company, entered into a loan agreement with a third party to obtain a short-term loan facility of HK$3,000,000. The loan is secured by the pledge of the Group's available-for-sale financial assets, corporate guarantee issued by the Company and personal guarantee executed by Lam Chin Wang, a substantial shareholder of the Company. The loan is interest bearing at Hong Kong Dollars Prime rate and will be repayable on May 2, 2006.

(g) On January 4, 2006, February 1, 2006 and March 14, 2006, four banks withdrew and cancelled banking facilities granted to DCCL and make formal repayment requests upon DCCL for immediate repayment of loans and overdrafts in full.

(h) On March 20, 2006, Build Sky Development Consultancy Limited, a wholly-owned subsidiary company of the Company, entered into a loan agreement with a third party to obtain a short-term loan facility of HK$3,000,000. The loan is secured by a corporate guarantee issued by the Company and personal guarantees executed by Lam Chin Wang, a substantial shareholder of the Company, and by Chin Wai Kay, Geordie, the executive director of the Company. The loan is interest bearing at 15% per annum and will be repayable on May 3, 2006.

26. COMPARATIVE AMOUNTS

As further explained in note 2 of the financial statements, due to the adoption of new HKASs and HKFRSs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year and opening balance adjustments have been made and certain comparative amounts have been reclassified/restated to conform with the current year's presentation and accounting treatment.

27. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on March 21, 2006.

RSM Nelson Wheeler
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Certified Public Accountants

INDEPENDENT REVIEW REPORT

TO THE BOARD OF DIRECTORS OF DICKSON GROUP HOLDINGS LIMITED
(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

Introduction

We have been instructed by the company to review the interim financial report set out on pages 2 to 29.

Respective responsibilities of Directors and auditors

The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with Hong Kong Accounting Standard 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Review work performed

We conducted our review in accordance with SAS 700 "Engagements to review interim financial reports" issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquiries of group management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

INDEPENDENT REVIEW REPORT *(CONTINUED)*

Review work performed *(Continued)*

The scope of our review was limited as follows:

Significant post balance sheet event ("the Event")

Due to delay in the construction progress of several projects undertaken by Dickson Construction Company Limited ("DCCL"), a major wholly owned subsidiary of the Group, Hong Kong Housing Authority ("HKHA") unilaterally terminated three building construction contracts with DCCL and re-entered into the sites of the projects on February 17, 2006. In addition, HKHA also announced that they intended to make a claim against DCCL for related losses. HKHA and Architectural Services Department ("ASD") also indicated that they are in the process of reviewing the progress of other projects awarded to DCCL and may take similar actions if necessary.

The Event has resulted in limitation in scope of our review as follows:

(i) Trade and other receivables of HK$320,567,000
Amounts due from contract customers of HK$271,615,000
Amounts due to contract customers of HK$13,965,000

Included in trade and other receivables are retention receivables and trade receivables in respect of three HKHA's construction contracts which were terminated by HKHA amounting to HK$17,394,000 and HK$21,365,000 respectively. At this stage, due to limited information available, the directors are not able to assess whether provision is required for the above-mentioned receivables and if any provision is required for future claims. Accordingly, we are unable to assess whether the above-mentioned amounts are free from material misstatement.

Included in trade and other receivables are trade and retention receivables of other projects from HKHA and ASD amounting to HK$38,143,000 and HK$176,255,000 (against which provision of HK$67,801,000 has been made) respectively. HKHA and ASD have indicated that they are reviewing the progress of certain projects and may take similar action if necessary. Accordingly, we are unable to determine whether further provision for the aforesaid receivables or any provision for claims is required in respect of these projects.

INDEPENDENT REVIEW REPORT *(CONTINUED)*

Review work performed *(Continued)*

As a result of the Event, we are also unable to determine whether contracts in progress which are represented by amounts due from and due to contract customers, amounting to HK$271,615,000 and HK$13,965,000 respectively, as stated in the condensed financial statements at September 30, 2005, are free from material misstatement.

Any adjustments in relation to the above would have a consequential impact on the Group's net assets as at September 30, 2005 and the results for the six months ended September 30, 2005.

(ii) Goodwill of HK$27,162,000

Included in the condensed consolidated balance sheet as at September 30, 2005 is the carrying amount of goodwill amounting to HK$27,162,000. The goodwill is a result of the acquisition of a subsidiary with several projects related to ASD. Due to the Event stated above, we are unable to carry out a proper review or assessment of the carrying amount of goodwill as at September 30, 2005. As a result, the interim financial report may require modification arising from the write-down of the carrying amount of goodwill stated in the condensed consolidated balance sheet and the recognition of an impairment loss in the condensed consolidated income statement.

Fundamental uncertainty relating to the going concern

In performing our review, we have considered the disclosures made in Note 1 to the interim financial report which explains that in preparing the financial statements the directors have given consideration to the cash flow projections and financing of the Company and the Group. The financial statements have been prepared on a going concern basis, the validity of which is subject to the successful outcome of the measures to be implemented by the Company and the Group. The financial statements do not include any adjustments that would result from the failure of these measures. In view of the uncertainty surrounding the measures to be implemented to improve the Company's and the Group's financial position, we are unable to determine whether the going concern basis used in the preparation of the interim financial report is appropriate.

INDEPENDENT REVIEW REPORT *(CONTINUED)*

Inability to reach a review conclusion

Because of the significance of (i) the possible effects of the limitation in evidence available to us set out in the review work performed section of this report; and (ii) the fundamental uncertainty relating to the appropriateness of the going concern basis; we are unable to reach a review conclusion as to whether material modifications should be made to the interim financial report for the six months ended September 30, 2005.

RSM Nelson Wheeler
Certified Public Accountants

Hong Kong
March 21, 2006

DIVIDENDS

No dividends were paid during the period. The directors do not recommend the payment of an interim dividend for the period ended September 30, 2005 (six months ended September 30, 2004: Nil).

BUSINESS REVIEW

The turnover for the Construction Division in Hong Kong for the six months ended September 30, 2005 was HK$225.08 million, a drop of 63.0% as compared with the same period of the preceding year.

During the period under review, the Hong Kong economy improved significantly and the booming property market led to an increase in the construction material and labour costs. Some sub-contractors of the Construction Division were unable to provide sufficient resources and therefore caused delay on the progress of some of the Group's construction projects offered by the Hong Kong Housing Authority (the "HKHA") and the Architectural Services Department (the "ASD") of the HKSAR. In order to rectify the situation, the Construction Division had successfully terminated the subcontracts with those poor performing subcontractors and entered into new contracts with various new subcontractors. Nevertheless, the negotiation and termination process had also caused temporary suspension of the work progress at several construction sites. Consequently, the HKHA unilaterally decided to terminate three housing projects undertaken by the Construction Division and re-entered the construction sites on February 17, 2006. HKHA also expressed their intention to make a claim against the Group for the related losses. However, the Construction Division considers that the actions taken by the HKHA are not fully justified and has already appointed legal and professional advisors to handle the case.

The Group is making a comprehensive review of its construction business in Hong Kong and is assessing the financial and operational impacts of HKHA's re-entry on the Group. An announcement will be made by the Company when the assessment has been completed.

The Construction Division is still carrying out the remaining ASD contracts on hand and these contracts will be completed in 2006.

BUSINESS REVIEW *(CONTINUED)*

The Group is aware of the limited growth in the construction industry in Hong Kong and has re-focused on new business opportunities in China. During the period, the Group had secured three construction contracts in the Guangdong Province, China with a total contract value of around HK$478 million.

The Group's joint-venture engaged in property management had been able to run at breakeven level during the period. Due to the keen competition in property management business, the profit margin for new property management contracts from the public sector will be extremely thin. The joint-venture company has been exploring new business opportunities in China.

On September 27, 2005, the Company announced the acquisition of two investment holding companies, namely General Logistic Holding Limited ("General Logistic") and Interform Investment Company Limited ("Interform"), at a consideration of HK$7 million and HK$6.56 million respectively, which was satisfied by the transfer of the deposits paid in previous years under previous uncompleted transactions. The acquisition of Interform was completed in July 2005. However, the acquisition of General Logistic has not been completed due to the failure of the vendor and its beneficial owner to fulfil their obligations under the agreement and the Group has appointed legal advisers to handle the case.

FINANCIAL REVIEW

For the six months ended September 30, 2005, the Group recorded a loss of HK$108.87 million attributable to equity holders as compared with a profit of HK$2.69 million for the last corresponding period.

As a result of the substantial decline in turnover and the increase in construction costs, there was a gross loss of HK$17.06 million as compared with a gross profit of HK$29.51 million for the same period of the preceding year.

In view of the re-entry actions of the HKHA and the delay in completing certain ASD projects, the Group had made a provision of HK$64.19 million for trade and retention receivables and other receivables.

FINANCIAL REVIEW *(CONTINUED)*

With a view to strengthening the capital structure of the Group, in August 2005 the Group had successfully placed 16,000,000 new shares to an independent investor raising approximately HK$4.53 million. In September 2005, the Group issued a convertible note in the principal amount of HK$5.05 million to an independent subscriber entitling her to 5% of the then issued share capital of the Company from time to time as enlarged by the issue of the conversion shares upon full conversion. Up to the date of this report, the subscriber has not exercised her rights to convert the convertible note into shares of the Company. The net proceeds of the placing and of the convertible note of approximately HK$4.53 million and HK$4.92 million respectively had been used as general working purposes.

As at September 30, 2005, the Group had total financial borrowings of approximately HK$168.90 million as compared to approximately HK$141.07 million as at March 31, 2005. The gearing ratio which is measured on the basis of the Group's total borrowings over the shareholders' funds as at September 30, 2005 was around 211.15% as compared to 76.62% as at March 31, 2005.

Properties with a net book value of HK$13.68 million together with bank deposits in the amount of HK$8.6 million were pledged to secure banking facilities granted to the Group. Deposits with a total amount of HK$4.9 million were pledged to an insurance company for issuing bonds to the ASD.

Subsequent to the balance sheet date, the Group entered into a provisional agreement with an independent purchaser on December 16, 2005 for the disposal of an investment property. On February 21, 2006, the Group entered into a cancellation agreement with the purchaser to cancel the provisional agreement and surrendered possession of the property to the mortgagee for the exercise of its power of sale of the property. The sale of the property will totally reduce the bank borrowing amount by approximately HK$13.6 million.

PROSPECTS

The Construction Division in Hong Kong will certainly face difficulty in getting new contracts from the public sector in the coming year due to the termination of three housing projects by the HKHA. With the aim of improving the return for the shareholders, the Group will diversify into new business in China. At the outset, the Group has secured three construction contracts amounting to approximately HK$478 million in Guangdong Province during the period. Preliminary discussions have also been carried out with various parties on setting up strategic alliance in property development and other areas. The Company expects that such strategic alliance will be set up in the year of 2006.

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

As at September 30, 2005, other than certain nominee shares in subsidiaries held by the directors in trust for the Company, none of the directors or chief executive of the Company or any of their associates had any interests or short positions 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 (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code").

SUBSTANTIAL SHAREHOLDERS

As at September 30, 2005, the following shareholders had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of Shareholder	Number of Ordinary Shares Held	Number and Description of Equity Derivatives	Number of Underlying Shares	Percentage of Issued Share Capital
Well Peace Limited	60,805,590 *(note 1)*	–	–	18.38%
Wisdom Top International Limited	23,142,857 *(note 2)*	–	–	6.99%
Ms. Yip Wai Kuen		Convertible Note in the principal amount of HK$5,050,000 (the "Note")	17,414,437 *(note 3)*	5.00% *(note 3)*

notes:

1. 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.

2. Wisdom Top International Limited is a company incorporated in Hong Kong with limited liability whose entire issued share capital is ultimately owned by Mr. Wang Dian.

3. The Note holder is entitled to 5% of the then issued share capital of the Company from time to time as enlarged by the issue of the conversion shares upon full conversion of the Note. The number is based on the existing number of shares in issue and on the assumption that the Note holder has exercised her rights to convert the Note in full.

Save as disclosed above, as at September 30, 2005, the directors of the Company were not aware of any other person who had an interest or short positions in the shares or underlying shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

EMPLOYEES

The Group currently employs a total of around 128 members of staff in Hong Kong and in China.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended September 30, 2005, there was no purchase, sale or redemption by the Company or any of its subsidiary companies of the Company's listed securities.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors, save as disclosed below, the Company has complied with the code provisions of the Code on Corporate Governance Practices (the "CG Code"), as set out in the Appendix 14 of the Listing Rules, throughout the accounting period ended September 30, 2005.

Code Provision A.4.1

Under code provision A.4.1, non-executive directors should be appointed for a specific term and subject to re-election.

One independent non-executive director ("INED") of the Company is not appointed for a specific term but is subject to retirement by rotation and re-election at the Annual General Meeting ("AGM") of the Company in accordance with the Company's Bye-laws. The relevant service contract was entered into between the Company and the INED before the CG Code was effective. Since this INED has already been subject to re-election at regular intervals since his appointment, the Board will not propose the Company to amend the service contract or enter into a new service contract with him for the purpose of fixing a term. The term of two new INEDs appointed on March 8, 2006 is fixed for one year and they are subject to re-election at the Company's AGM at the same time. The Board will continue to ensure the independence of every INED and consider a specific term for all new appointments of INEDs in future.

CODE ON CORPORATE GOVERNANCE PRACTICES *(CONTINUED)*

Code Provision A.4.2

Under code provision A.4.2, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

According to the Bye-laws of the Company, any director holding the office as Chairman or the Managing Director is not subject to retirement by rotation at the AGM of the Company. The office of Chairman will be elected by the Board after each AGM in accordance with the Company's Bye-laws and the office of Managing Director, if one is appointed, will be appointed for a specific term not exceeding two years pursuant to the Company's existing policy.

The Board considers that the leadership of the Chairman and the Managing Director is vital to the Group's business continuity and stability and there should be planned and orderly succession for these offices. Any director holding the office as Chairman or the Managing Director should therefore be exempted from the retirement by rotation and re-election at the Company's AGM and the Board will not propose changes to the Company's existing Bye-laws at present.

Code Provision B.1.1 to B.1.4

Under code provisions B.1.1 to B.1.4, listed companies should establish a remuneration committee with specific written terms of reference which deal clearly with its authority and duties.

The Board has not established a remuneration committee as the Company has an established policy for fixing remuneration packages for all directors and the senior management depending on the individuals' performance and responsibility, market trend and company performance. The Board will ensure that the remuneration packages are competitive and avoid to pay more than is necessary. The Board will review the necessity to establish a remuneration committee periodically.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code as contained in Appendix 10 of the Listing Rules. Having made specific enquiry of all directors, all directors have complied with the required standard set out in the Model Code and its code of conduct regarding directors' securities transactions throughout the period.

AUDIT COMMITTEE

The Audit Committee of the Group was established in accordance with the requirements of the previous Code of Best Practice and the new requirements of Rule 3.21 of the Listing Rules. The written terms of reference which describe the authority and duties of the Committee were prepared and adopted with reference to "Guide for the Formation of an Audit Committee" issued by the Hong Kong Institute of Certified Public Accountants and updated in accordance with the relevant provisions set out in the CG Code.

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the interim report for the six months ended September 30, 2005.

At the request of the directors, the Group's external auditors have carried out a review of the unaudited interim financial statements in accordance with the Statement of Auditing Standards 700 "Engagement to review interim financial reports" issued by the Hong Kong Institute of Certified Public Accountants.

APPRECIATION

On behalf of the directors, I would like to extend our gratitude and sincere appreciation to all management and staff members for their hard work and dedication and the Company's shareholders for their support.

On behalf of the Board
Chin Wai Kay, Geordie
Executive Director

Hong Kong, March 21, 2006