# DICKSON GROUP HOLDINGS LIMITED

**(In Liquidation)**

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

**(Stock Code: 313)**

## Annual Report 2008

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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)*

**Board of Directors**

***Executive Directors***

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

***Independent Non-executive Director***

WONG Ying Sheung

**Company Secretary**

LEE Pui Shan
*(appointed on 12 June 2008)*

**Auditor**

Shu Lun Pan Horwath Hong Kong CPA Limited

**Legal Advisers**

*Hong Kong Law*

P. C. Woo & Co.

*Bermuda Law*

Appleby

**Principal Registrar**

Appleby Management (Bermuda) Limited
Argyle House
41 a Cedar Avenue
Hamilton HM12
Bermuda

**Hong Kong Share Registrar and Transfer Office**

Tricor Secretaries Limited
26/F, Tesbury Centre
28 Queen's Road East
Hong Kong

**Registered Office**

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

**Principal Place of Business**

18/F,
Two International Finance Centre
8 Finance Street
Central
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

**Website**
http://www.equitynet.com.hk/dickson

**Stock Code**
313

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 2008.

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 2008 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 2008 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 investment holding. Its major subsidiaries' businesses 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 (the "Hong Kong Court") on 18 December 2006. The Liquidators were appointed on 29 May 2007 pursuant to an Order of the Hong Kong Court. As such, the Liquidators do not have the same knowledge of the financial affairs of the Group as the board 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 HK$4,747,000 as compared to a net cash outflow of HK$829,000 in the previous year. Cash and cash equivalents at 31 March 2008 amounted to HK$40,323,000 (2007: HK$1,853,000). The Group's gearing ratio measured on the basis of the Group's total borrowings over the shareholders' funds as at 31 March 2008 was not applicable as the Group has a negative shareholders' funds (2007: N/A).

## 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 and Renminbi. 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 have been cancelled.

On 21 November 2007, 18 December 2007, 10 January 2008 and 18 February 2008, the Company through its financial adviser submitted a resumption proposal and its supplemental information 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").

On 22 February 2008, the Secretary of the Listing Committee informed that the Listing Committee decided to allow the Company to proceed with the Resumption Proposal, subject to compliance with the following conditions on or before 22 August 2008 (or extended period granted by the Listing Division on good cause being shown to the Company).

1. disclosing details of the Resumption Proposal and the actions taken by the Company to remedy those matters that gave rise to the Stock Exchange's proposal to cancel the listing of the Company by way of announcement(s);

2. issuing the outstanding annual reports of the Company for the years ended 31 March 2006 and 2007 and interim reports of the Company for the six months ended 30 September 2006 and 2007 as required under the Listing Rules;

3. obtaining approval for the schemes for restructuring the Company's indebtedness from the shareholders, creditors, the Hong Kong Court and Supreme Court of Bermuda (the "Bermuda Court");

4. complying with the relevant requirements, including the shareholders' approval requirement, under the Listing Rules in respect of the transactions and arrangements contemplated under the Resumption Proposal;

5. completion of the subscription of 6,000,000,000 new shares of the Company by the investor for HK$300 million, the disposal of the entire interest of the Company in all its subsidiaries except for Dickson Construction Engineering (Guang Dong) Limited ("Dickson Guangdong"), the placing of 1,750,000,000 new shares by the Company to independent placees for raising a sum of approximately HK$83.5 million and if applicable, the placing of a sufficient number of the subscription shares by the investor to independent placees for maintaining the public float as required under the Listing Rules;

6. the schemes of arrangement in Hong Kong and Bermuda becoming effective in accordance with their terms;

7. the appointment of a company secretary and a qualified accountant as required under the Listing Rules.

The special general meeting was convened on 23 April 2008 and all the resolutions regarding the implementation of the restructuring were duly and unanimously passed by the shareholders attending and eligible to vote at the meeting.

The creditors' meetings to approve the schemes of arrangement in Hong Kong (the "Hong Kong Scheme") and Bermuda (the "Bermuda Scheme") were held on 23 April 2008 and 26 May 2008 respectively. Both schemes of arrangement were duly and unanimously passed by the required majority of the creditors. The Hong Kong Scheme was sanctioned by the Hong Kong Court on 27 May 2008 and the Bermuda Scheme was sanctioned by the Bermuda Court on 13 June 2008.

On 27 May 2008, the Hong Kong Court has ordered that all further proceedings in the winding up of the Company pursuant to the Order dated 18 December 2006 be stayed on condition that the restructuring is completed.

Both the Hong Kong Scheme and Bermuda Scheme will become effective upon the completion of the restructuring agreements (the "Completion").

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 RMB117.4 million and a letter of intent for a contract value of RMB197.8 million.

Ms. Lee Pui Shan was appointed as the company secretary and qualified accountant of the Company with effect from 12 June 2008.

Upon Completion, Mr. Lin Xiong, Mr. Chin Wai Kay, Geordie and Mr. Wong Ying Sheung will resign as executive directors and independent non-executive director respectively. Mr. He Guang, Mr. Sun Peng and Mr. Wong Kin Fai will be appointed as executive directors, Mr. Ge Zemin will be appointed as a non-executive director, Mr. Yue Kwai Wa, Ken, Mr. Lei Jian and Mr. Hei Xue Yan will be appointed as independent non-executive directors upon Completion.

## PROSPECTS

The Resumption Proposal has now been substantially implemented as at the date of this report.

It is anticipated that the financial position of the Group will be substantially improved upon Completion as all liabilities arising from the creditors of the Company and creditors of its subsidiaries holding guarantees given by the Company will be compromised and discharged through the Schemes.

Upon Completion, the Company's shares will resume trading on the Stock Exchange subject to the approval of the Listing Division. The Liquidators are of the opinion that the Restructuring Proposal will be successfully implemented because the restructuring proposal has approached the completion stage, notwithstanding that it is subject to the relevant approvals.

It is the investor's intention to revive the Group's existing construction business currently conducted through Dickson Guangdong. It is expected that immediately upon Completion, Dickson Guangdong will be the only major operating subsidiary of the Group.

The investor is confident that, with its strong support in the business and financial aspects, the Group will be able to gain a strong foothold in the PRC construction industry and achieve a substantial level of operations within a reasonable period of time after the resumption of trading in shares of the Company.

## 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 14 to the financial statements.

## RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 March 2008 are set out in the income statement on page 19 of the financial statements.

No interim dividend was paid and there will not be a payment of a final dividend for the year ended 31 March 2008 (2007: Nil).

## PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment during the year are set out in note 16 to the 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

Details of the authorised and issued share capital of the Company are set out in note 25 to the financial statements.

## RESERVES

Details of the 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. At 31 March 2008, the Company did not have any reserves available for distribution.

## 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.

## FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 64. This summary does not form part of the audited financial statements.

## DIRECTORS

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

**Executive Directors:**
LIN Xiong
CHIN Wai Kay, Geordie

**Independent non-executive Director:**
WONG Ying Sheung

The term of office of the independent non-executive director is the period up to his retirement by rotation and re-election at the general meetings of the Company in accordance with the Bye-Laws of the Company.

No director 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' BIOGRAPHIES

Biographical details of the directors of the Group are set out on page 13 of the annual report.

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

As at 31 March 2008, 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.

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

As at 31 March 2008, 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 2008, 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.

## 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' INTEREST IN CONTRACTS OF SIGNIFICANCE AND CONNECTED PARTY TRANSACTIONS

Having made all reasonable enquiries and based on the available books and records, the Liquidators are not aware of any director having a 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' INTERESTS IN COMPETING BUSINESS

As at the date of this report, to the best knowledge of the Liquidators, none of the directors, the shareholders of the Company and their respective associates had any interest in a business which causes or may cause a significant competition with the business of the Group or any other conflicts of interest which any such person has or may have with the Group.

## 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.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

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

## PRE-EMPTIVE RIGHTS

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

## 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.

## SIGNIFICANT POST-BALANCE SHEET EVENTS

Details of the significant post-balance sheet events of the Group are set out in note 36 to the financial statements

## CORPORATE GOVERNANCE

The Liquidators were appointed on 29 May 2007 pursuant to an Order of the Hong Kong Court. 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 2008.

## AUDIT COMMITTEE

The Company has only one independent non-executive director and thus, the audit committee has not been maintained as required by the Listing Rules. The annual results of the Group for the year ended 31 March 2008 have not been reviewed by the audit committee.

## AUDITOR

The financial statements for the year ended 31 March 2008 were audited by Shu Lun Pan Horwath Hong Kong CPA Limited. A resolution for their re-appointment as auditor of the Company will be proposed at the forthcoming annual general meeting.

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*

Hong Kong, 15 July 2008

## EXECUTIVE DIRECTORS

LIN, Xiong, aged 35, joined the Group in October 2005. He is the chairman and an executive director of the Company. 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 48, joined the Group in April 2003 as the Group General Manager and was appointed as an executive director of the Company 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 60, 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, the PRC in 1996.

Horwath

**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 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 63, which comprise the consolidated and company balance sheets as at 31 March 2008, 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

As disclosed in note 2 to the financial statements, trading in the Company's shares on The Stock Exchange of Hong Kong Limited has been suspended since 30 December 2005. On 29 May 2007, the High Court of Hong Kong appointed Mr. Stephen Liu Yiu Keung and Mr. Robert Armor Morris as the joint and several liquidators of the Company (the "Liquidators"). Upon the appointment of the Liquidators, the powers of the directors were suspended with regard to the affairs and business of the Company.

The Liquidators are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") 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. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Except for the limitation in the scope of our work as explained below, we conducted our audit in accordance with 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, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

## BASIS FOR DISCLAIMER OF OPINION

(1) Current year audit scope limitations

As disclosed in note 2 to the financial statements, the Liquidators make no representation as to the completeness of the information contained in these financial statements. As a consequence, we were unable to obtain all the information that we required in relation to our audit for the year ended 31 March 2008 and were also unable to carry out all the auditing procedures that we considered necessary to obtain adequate assurance regarding the assets, liabilities, income and expenses appearing in these financial statements, and the adequacy of disclosures in these financial statements. There were no other satisfactory audit procedures that we could adopt to obtain sufficient appropriate audit evidence regarding the accuracy and completeness of the assets, liabilities, income and expenses of the Company and of the Group, and the adequacy of disclosures in these financial statements.

(2) Prior year audit scope limitations affecting opening balances

The auditor's report on the consolidated financial statements for the year ended 31 March 2007 were also qualified in respect of limitations of audit scope similar to those in sub-paragraph (1) above. Any adjustments to these comparative amounts may have a consequential effect on the balance of accumulated losses of the Group as at 1 April 2007, its profit for the year ended 31 March 2008 and related disclosures in these financial statements.

(3) Material uncertainty relating to going concern basis

As explained in note 2 to the financial statements, on 10 September 2007, a preliminary agreement, an exclusivity agreement and an escrow agreement were entered into regarding the implementation of a restructuring proposal (the "Restructuring Proposal"). The Liquidators are of the opinion that the Restructuring Proposal will be successfully implemented because the Restructuring Proposal has approached its completion stage, notwithstanding that it is subject to the relevant approvals.

The Group had net current liabilities of HK$540,104,000 and net liabilities of HK$540,001,000 as at 31 March 2008, which indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. The Company had net current liabilities of HK$37,090,000 and net liabilities of HK$373,953,000 as at 31 March 2008, which indicate the existence of a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern. These financial statements have been prepared on a going concern basis, the validity of which is dependent on the successful implementation of the Restructuring Proposal.

In the opinion of the Liquidators, if the Restructuring Proposal is not successfully implemented, the Group and the Company would not be a going concern at the balance sheet date. If that is the case, adjustments might have to be made 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 consider that appropriate disclosures have been made. However, the uncertainties surrounding the outcome of the Restructuring Proposal raise significant doubt about the ability of the Group and the Company to continue as a going concern.

(4) Non-compliance with HKFRSs

As disclosed in note 14 to the financial statements, these financial statements have not incorporated the results, assets and liabilities of two subsidiaries of the Group, namely Interform Investment Company Limited (In Liquidation) and 德森建築科技(深圳) 有限公司. 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 these financial statements in respect of (a) the aggregate of the profits less losses of the unconsolidated subsidiaries for the year ended 31 March 2008, and (b) the aggregate of the profits less losses of the unconsolidated subsidiaries for the financial years since they became subsidiaries as required by the disclosure requirements of 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.

## 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, we do not express an opinion on these financial statements as to whether they give a true and fair view of the state of affairs of the Group and of the Company as at 31 March 2008 and of the Group's profit and cash flows for the year then ended in accordance with HKFRSs, and as to whether these financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

## 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*

20th Floor Central Plaza
18 Harbour Road
Wanchai
Hong Kong

15 July 2008

**Choi Man On**
Practising Certificate number P02410

# CONSOLIDATED INCOME STATEMENT

*For the year ended 31 March 2008*
*(Expressed in Hong Kong dollars)*

| | *Notes* | **2008** *HK$'000* | **2007** *HK$'000* |
|---|---|---|---|
| Turnover | 6 | 11,037 | 36 |
| Cost of sales | | (8,737) | (5,424) |
| Gross profit/(loss) | | 2,300 | (5,388) |
| Other revenue | 6 | 1,930 | 207 |
| Administrative expenses | | (8,435) | (3,721) |
| Other operating expenses | | – | (1,789) |
| Operating loss | | (4,205) | (10,691) |
| Finance costs | 7 | (1,053) | – |
| Impairment of amount due from a jointly controlled entity | 20 | (1,896) | – |
| Share of loss of a jointly controlled entity | | – | (220) |
| Gain on disposal of available-for-sale investment | 17 | 30,611 | – |
| Write-back of impairment loss on trade and other receivables and amounts due from customers for contract work | | 1,433 | 6,801 |
| Profit/(loss) before taxation | 8 | 24,890 | (4,110) |
| Income tax | 10(a) | – | (3) |
| Profit/(loss) for the year | | 24,890 | (4,113) |
| Dividend | | – | – |
| Earnings/(loss) per share – Basic | 12 | 7.5 cents | (1.2) cents |

The accompanying notes form part of the financial statements.

# CONSOLIDATED BALANCE SHEET

*As at 31 March 2008*
*(Expressed in Hong Kong dollars)*

| | Notes | 2008 | 2007 |
|---|---|---|---|
| | | HK$'000 | HK$'000 |
| **ASSETS AND LIABILITIES** | | | |
| **Non-current assets** | | | |
| Interests in unconsolidated subsidiaries | 14 | – | – |
| Interest in a jointly controlled entity | 15 | – | – |
| Property, plant and equipment | 16 | 497 | – |
| Available-for-sale investment | 17 | – | 8,176 |
| | | 497 | 8,176 |
| **Current assets** | | | |
| Trade and other receivables | 19 | 2,201 | – |
| Amount due from a jointly controlled entity | 20 | – | 1,896 |
| Cash at banks and in hand | | 40,323 | 3,274 |
| | | 42,524 | 5,170 |
| **Current liabilities** | | | |
| Trade and other payables | 21 | 403,882 | 402,433 |
| Bank and other borrowings | 22 | 171,207 | 168,635 |
| Convertible notes | 23 | 4,183 | 4,183 |
| Tax payable | | 3,356 | 3,356 |
| | | 582,628 | 578,607 |
| **Net current liabilities** | | (540,104) | (573,437) |
| **Total assets less current liabilities** | | (539,607) | (565,261) |
| **Non-current liabilities** | | | |
| Amounts due to unconsolidated subsidiaries | 31(a) | 394 | 394 |
| **Net liabilities** | | (540,001) | (565,655) |

# CONSOLIDATED BALANCE SHEET

*As at 31 March 2008*
*(Expressed in Hong Kong dollars)*

| | Notes | 2008 | 2007 |
|---|---|---|---|
| | | HK$'000 | HK$'000 |
| **EQUITY** | | | |
| Share capital | 25 | 16,544 | 16,544 |
| Reserves | | (556,545) | (582,199) |
| **Total equity** | | (540,001) | (565,655) |

These financial statements were approved and authorised for issue by the Joint and Several Liquidators on 15 July 2008.

| | |
|---|---|
| **Stephen Liu Yiu Keung** | **Robert Armor Morris** |
| *Joint and Several Liquidator* | *Joint and Several Liquidator* |
| *who acts without personal liability* | *who acts without personal liability* |

The accompanying notes form part of the financial statements.

# BALANCE SHEET

*As at 31 March 2008*
*(Expressed in Hong Kong dollars)*

| | *Notes* | **2008** | **2007** |
|---|---|---|---|
| | | *HK$'000* | *HK$'000* |
| **ASSETS AND LIABILITIES** | | | |
| **Non-current assets** | | | |
| Interests in subsidiaries | 14 | 3,600 | 3,600 |
| **Current assets** | | | |
| Cash at banks and in hand | | 280 | 32 |
| **Current liabilities** | | | |
| Other payables | | 2,569 | 2,127 |
| Bank and other borrowings | 22 | 30,618 | 30,618 |
| Convertible notes | 23 | 4,183 | 4,183 |
| | | 37,370 | 36,928 |
| **Net current liabilities** | | (37,090) | (36,896) |
| **Total assets less current liabilities** | | (33,490) | (33,296) |
| **Non-current liabilities** | | | |
| Amounts due to subsidiaries | 31(a) | 340,463 | 340,463 |
| **Net liabilities** | | (373,953) | (373,759) |
| **EQUITY** | | | |
| Share capital | 25 | 16,544 | 16,544 |
| Reserves | 26 | (390,497) | (390,303) |
| **Total equity** | | (373,953) | (373,759) |

These financial statements were approved and authorised for issue by the Joint and Several Liquidators on 15 July 2008.

| **Stephen Liu Yiu Keung** | **Robert Armor Morris** |
|---|---|
| *Joint and Several Liquidator* | *Joint and Several Liquidator* |
| *who acts without personal liability* | *who acts without personal liability* |

The accompanying notes form part of the financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the year ended 31 March 2008*
*(Expressed in Hong Kong dollars)*

| | Share capital *(note25)* | Share premium | Contributed surplus | Capital redemption reserve | Translation reserve | Merger reserve | Available-for-sale investment revaluation reserve | Convertible notes reserve *(note23)* | Accumulated losses | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Balance at 1 April 2006 | 16,544 | 142,131 | 69,476 | 109 | 279 | 1,650 | – | 867 | (792,030) | (560,974) |
| Exchange differences arising on translation of overseas operations | – | – | – | – | 112 | – | – | – | – | 112 |
| Revaluation of available – for– sale investment | – | – | – | – | – | – | (680) | – | – | (680) |
| Total income and expense for the year recognised directly in equity | – | – | – | – | 112 | – | (680) | – | – | (568) |
| Transfer | – | – | – | – | – | – | – | (867) | 867 | – |
| Loss for the year | – | – | – | – | – | – | – | – | (4,113) | (4,113) |
| Balance at 31 March 2007 | 16,544 | 142,131* | 69,476* | 109* | 391* | 1,650* | (680)* | –* | (795,276)* | (565,655) |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the year ended 31 March 2008*
*(Expressed in Hong Kong dollars)*

| | Share capital (note25) | Share premium | Contributed surplus | Capital redemption reserve | Translation reserve | Merger reserve | Available-for-sale investment revaluation reserve | Convertible notes reserve (note23) | Accumulated losses | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Balance at 1 April 2007 | 16,544 | 142,131 | 69,476 | 109 | 391 | 1,650 | (680) | – | (795,276) | (565,655) |
| Exchange differences arising on translation of overseas operations | – | – | – | – | 84 | – | – | – | – | 84 |
| Release on disposal | – | – | – | – | – | – | 680 | – | – | 680 |
| Total income and expense for the year recognised directly in equity | – | – | – | – | 84 | – | 680 | – | – | 764 |
| Profit for the year | – | – | – | – | – | – | – | – | 24,890 | 24,890 |
| Balance at 31 March 2008 | 16,544 | 142,131* | 69,476* | 109* | 475* | 1,650* | –* | –* | (770,386)* | (540,001) |

The share premium account 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.

* These reserve accounts comprise the consolidated reserves of HK$556,545,000 (2007: HK$582,199,000) in the consolidated balance sheet.

The accompanying pages form part of the financial statements.

# CONSOLIDATED CASH FLOW STATEMENT

*For the year ended 31 March 2008*
*(Expressed in Hong Kong dollars)*

| | 2008 | 2007 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| **Operating activities** | | |
| Profit/(loss) before taxation | 24,890 | (4,110) |
| Adjustments for: | | |
| Depreciation | 39 | – |
| Amortisation of leasehold land | – | 33 |
| Loss on disposal and write off of property, plant and equipment and leasehold land | – | 1,756 |
| Impairment of amount due from a jointly controlled entity | 1,896 | – |
| Gain on disposal of available-for-sale investment | (30,611) | – |
| Write-back of impairment loss on trade and other receivables and amounts due from customers for contract work | (1,433) | (6,801) |
| Share of loss of a jointly controlled entity | – | 220 |
| Interest income | (293) | – |
| Finance costs | 1,053 | – |
| Operating cash flows before working capital changes | (4,459) | (8,902) |
| Decrease in amounts due from customers for contract work | – | 5,397 |
| (Increase)/decrease in trade and other receivables | (768) | 1,404 |
| Increase in trade and other payables | 1,449 | 856 |
| Exchange fluctuation | 84 | 112 |
| Cash used in operations | (3,694) | (1,133) |
| Income tax refunded | – | 304 |
| Interest paid | (1,053) | – |
| **Net cash used in operating activities** | (4,747) | (829) |

# CONSOLIDATED CASH FLOW STATEMENT

*For the year ended 31 March 2008*
*(Expressed in Hong Kong dollars)*

| | 2008 | 2007 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| **Investing activities** | | |
| Interest received | 293 | – |
| Proceeds from disposal of available-for-sale investment | 39,467 | – |
| Payments to acquire property, plant and equipment | (536) | – |
| **Net cash generated from investing activities** | 39,224 | – |
| **Financing activities** | | |
| Proceeds from new borrowings | 11,052 | 3,545 |
| Repayment of borrowings | (7,059) | – |
| Repayment of finance lease obligations | – | (170) |
| **Net cash generated from financing activities** | 3,993 | 3,375 |
| **Net increase in cash and cash equivalents** | 38,470 | 2,546 |
| **Cash and cash equivalents at beginning of year** | 1,853 | (693) |
| **Cash and cash equivalents at end of year** | 40,323 | 1,853 |
| **Analysis of the balances of cash and cash equivalents** | | |
| Cash at banks and in hand | 40,323 | 3,274 |
| Bank overdrafts | – | (1,421) |
| | 40,323 | 1,853 |

## 1. Organisation and operations

The Company was originally incorporated in the Cayman Islands on 10 September 1990 but re-domiciled to Bermuda on 11 February 2004 with limited liability. Its registered office is at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda and its principal place of business is at 18/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong.

The Company is engaged in investment holding and the Group is engaged in the construction business. The activities of the subsidiaries are set out in note 14 to the financial statements.

## 2. Basis of presentation

As at 31 March 2008, the Group had consolidated net current liabilities of approximately HK$540,104,000 (2007: HK$573,437,000) and consolidated net liabilities of approximately HK$540,001,000 (2007: HK$565,655,000). The Group had a net profit for the year ended 31 March 2008 of approximately HK$24,890,000 (2007: net loss of HK$4,113,000). These financial statements are prepared on a going concern basis as there are good prospects because the restructuring proposal (as outlined below) is towards completion. In the opinion of the Liquidators, the Group and the Company would not be a going concern 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 (the "Hong Kong Court") on 18 December 2006. The Liquidators were appointed on 29 May 2007, pursuant to an Order of the Hong Kong Court. 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 this report and the audited financial statements for the year ended 31 March 2008 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 2008 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 have been 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 of 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 superior recovery terms for the creditors superior to other restructuring proposals received by the Company.

## 2. Basis of presentation (continued)

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 in the maximun amount of approximately HK$384.80 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 HK$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 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.

On 21 November 2007, 18 December 2007, 10 January 2008 and 18 February 2008, the Company through its Financial Adviser submitted a resumption proposal and its supplemental information 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").

On 22 February 2008, the Secretary of the Listing Committee informed the Company that the Listing Committee decided to allow the Company to proceed with the Resumption Proposal, subject to compliance with the following conditions on or before 22 August 2008 (or extended period granted by the Listing Division on good cause being shown to the Company):

(i) disclosing details of the Resumption Proposal and the actions taken by the Company to remedy those matters that gave rise to the Stock Exchange's proposal to cancel the listing of the company by way of announcement(s);

(ii) issuing the outstanding annual reports of the Company for the years ended 31 March 2006 and 2007 and interim reports of the Company for the six months ended 30 September 2006 and 2007 as required under the Listing Rules;

(iii) obtaining approval for the Schemes for restructuring the Company's indebtedness from the shareholders, creditors, the Hong Kong Court and the Supreme Court of Bermuda (the "Bermuda Court");

(iv) complying with the relevant requirements, including the shareholders' approval requirement, under the Listing Rules in respect to the transactions and arrangements contemplated under the Resumption Proposal;

**2. Basis of presentation (continued)**

(v) completion of the subscription of 6,000,000,000 new shares of the Company by the investor for HK$300 million, the disposal of the entire interest of the Company in all its subsidiaries except for Dickson Guangdong, the placing of 1,750,000,000 new shares by the Company to independent placees for raising a sum of approximately HK$83.5 million and if applicable, the placing of a sufficient number of the subscription shares by the investor to independent placees for maintaining the public float as required under the Listing Rules;

(vi) the Schemes becoming effective in accordance with their terms;

(vii) the appointment of a company secretary and a qualified accountant as required under the Listing Rules.

The special general meeting was convened on 23 April 2008 and all the resolutions regarding the implementation of the restructuring were duly and unanimously passed by the shareholders attending and eligible to vote at the meeting.

The creditors' meetings to approve the schemes of arrangement in Hong Kong (the "Hong Kong Scheme") and Bermuda (the "Bermuda Scheme") were held on 23 April 2008 and 26 May 2008 respectively. Both Schemes were duly and unanimously passed by the required majority of the creditors. The Hong Kong Scheme was sanctioned by the Hong Kong Court on 27 May 2008 and the Bermuda Scheme was sanctioned by the Bermuda Court on 13 June 2008.

On 27 May 2008, the Hong Kong Court has ordered that all further proceedings in the winding up of the Company pursuant to the Order dated 18 December 2006 be stayed on condition that the restructuring is completed.

Both the Hong Kong Scheme and Bermuda Scheme will become effective upon the Completion.

Meanwhile, the operation of Dickson Guangdong has been re-activated with the financing from the investor. During the year, Dickson Guangdong has entered into contracts for a total gross contract value of RMB 117.4 million (equivalent to approximately HK$130.5 million) and a letter of intent for a gross contract value of RMB197.8 million (equivalent to approximately HK$219.9 million).

## 2. Basis of presentation (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.

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 proposed restructuring, the proposed restructuring 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 the 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 because the restructuring proposal has approached the completion stage, notwithstanding that it is subject to the relevant approvals.

Should the Group be unable to achieve a successful restructuring as mentioned above, and therefore be unable to 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.

## 3. Adoption of new and revised Hong Kong Financial Reporting Standards

In the current year, the Group has adopted all of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, 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 and the Company. The adoption of these new and revised HKFRSs did not result in substantial changes to the accounting policies of the Company and the Group.

The impact of the adoption of HKFRS 7 "Financial Instruments: Disclosures" and HKAS 1 Amendment: Capital Disclosures has been to expand the disclosures provided in these financial statements regarding the Group's financial instruments and management of capital.

*(Expressed in Hong Kong dollars)*

## 3. Adoption of new and revised Hong Kong Financial Reporting Standards (continued)

At the date of authorisation of these financial statements, the following standards and interpretations that are relevant to the Group were in issue but not yet effective:

| | | **Effective for annual periods beginning on or after** |
|---|---|---|
| HKAS 1 (Revised) | Presentation of financial statements | 1 January 2009 |
| HKAS 23 (Revised) | Borrowing Costs | 1 January 2009 |
| HKAS 32 & 1 (Amendments) | Puttable financial instruments and obligations arising on liquidation | 1 January 2009 |
| HKAS 27 (Revised) | Consolidated and separate financial statements | 1 July 2009 |
| HKFRS 8 (Revised) | Operating Segments | 1 January 2009 |
| HKFRS 3 (Revised) | Business Combinations | 1 July 2009 |

The Group is in the process of making an assessment of what the impact of these new or revised standards and interpretations is expected to be in the period of their initial application.

## 4. 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 Hong Kong Companies Ordinance, except for the non-consolidation of two subsidiaries which is not in accordance with the requirements of HKAS 27 "Consolidated and Separate Financial Statements" (note 14).

These financial statements also comply with the applicable disclosure provisions of the Listing Rules. The financial statements have been prepared under the historical cost convention, as modified for the revaluation of available-for-sale investment which was carried at fair value.

*(b) Basis of 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.

## 4. Principal accounting policies (continued)

*(b) Basis of consolidation (continued)*

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

*(c) Business combinations*

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 in accordance with the accounting policy for goodwill in note 4(f) below.

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

*(d) Subsidiaries*

Subsidiaries are entities in which the Group has the power, to govern the financial and operating policies, so as to obtain benefits from their activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

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.

**4. Principal accounting policies (continued)**

*(e) Jointly controlled entity*

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group or Company and other parties, where the contractual arrangement establishes the Group or Company and one or more of the other parties share joint control over the economic activity of the entity.

The results and assets and liabilities of jointly controlled entity are incorporated in these financial statements 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 (note 4(f)).

Where the Group 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.

**4. Principal accounting policies (continued)**

*(f) Goodwill*

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

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

Where the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

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

*(g) Property, plant and equipment*

Property, plant and equipment are stated in at historical cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost or valuation of assets, other than properties under construction, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each balance sheet date, with the effect of any changes in estimate accounted for on a prospective basis. The principal annual rates are as follows:

| | |
|---|---|
| Leasehold improvements | 25% |
| Office equipment and furniture and fixtures | 15%-20% |

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

**4. Principal accounting policies (continued)**

*(h) Impairment of assets excluding goodwill*

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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 for which the estimates of future cash flows have not been adjusted.

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 profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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 profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

*(i) Financial assets*

Financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value. These financial assets are subsequently accounted for as follows, depending on their classification:

(i) Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

**4. Principal accounting policies (continued)**

*(i) Financial assets (continued)*

(ii) Available-for-sale investments

Investments in securities which do not fall into any of the above categories are classified as available-for-sale investments and are stated at fair value. Gains and losses arising from changes in fair value are recognised directly in equity in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is included in profit or loss for the period.

Dividends on available-for-sale investments are recognised in profit or loss when the Group's right to receive the dividends is established.

The fair value of available-for-sale investments denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the balance sheet date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in equity.

Available-for-sale investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the balance sheet at cost less impairment losses.

(iii) Impairment of financial assets

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

For equity securities, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

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

– significant financial difficulty of the issuer or counterparty; or

– default or delinquency in interest or principal payments; or

– it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

**4. Principal accounting policies (continued)**

*(i) Financial assets (continued)*

(iii) Impairment of financial assets (continued)

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities are not reversed.

– For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate, where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which have been determined had no impairment loss been recognised in prior years.

– For available-for-sale investments, the cumulative loss that has been recognised directly in equity is removed from equity and is recognised in profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

  Impairment losses recognised in profit or loss in respect of available-for-sale investments are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised directly in equity.

  Impairment losses in respect of available-for-sale investments are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

**4. Principal accounting policies (continued)**

*(i) Financial assets (continued)*

(iii) Impairment of financial assets (continued)

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bills receivable included in trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(iv) Effective interest method

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

Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at fair value through profit or loss.

(v) Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

*(j) Financial liabilities and equity instrument issued by the Group*

(i) Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

(ii) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

**4. Principal accounting policies (continued)**

*(j) Financial liabilities and equity instrument issued by the Group (continued)*

(iii) Compound instruments

The component parts of compound instruments issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured.

(iv) Financial liabilities

Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

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

(v) Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

*(k) 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.

## 4. Principal accounting policies (continued)

### *(l) 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.

***As lessee***

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 directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

### *(m) Provisions and contingent liabilities*

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

**4. Principal accounting policies (continued)**

*(n) Taxation*

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

(i) Current 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.

(ii) Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. 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.

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 on investments in subsidiaries, associates and joint ventures, 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 arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

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.

## 4. Principal accounting policies (continued)

### (o) *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"). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in Hong Kong dollar which is the functional currency of the company, and the presentation currency for the consolidated financial statements.

Items included in the financial statements of the Company are measured using the Hong Kong dollar, the currency of the primary economic environment in which the Company operates (the "functional currency"). The financial statements are presented in Hong Kong dollars.

In preparing the financial statements of the individual entities, transactions in currencies other than the Company's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at 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 are recognised in profit or loss in the period in which they arise except for:

– exchange differences which relate to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on foreign currency borrowings;

– exchange differences on transactions entered into in order to hedge certain foreign currency risks; and

– exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Hong Kong dollar using exchange rates prevailing at the balance sheet date. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during the period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in profit or 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.

**4. Principal accounting policies (continued)**

*(p) 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 income statement 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 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.

*(q) 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 income statement in the period in which they are incurred.

*(r) 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.

**4. Principal accounting policies (continued)**

*(s) 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.

*(t) 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.

## 4. Principal accounting policies (continued)

*(u) 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, on the percentage of completion basis, as further explained in the accounting policy for "Construction contracts" above;

ii) Revenue the rendering of contract services, 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.

## 5. Critical accounting estimates and judgments

*Estimates and judgments*

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In determining whether an asset is impaired or the event previously causing the impairment no longer exists, the Group has to exercise judgment 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.

## 6. Turnover, other revenue and business and geographical segments

The Group derived income from operation of construction and maintenance work in the People's Republic of China (the "PRC") during the current year. For the financial year ended 31 March 2007, the income was derived only from the Group's operation in Hong Kong. Turnover and other revenue are analysed as follows:

| **Turnover** | **2008** *HK$'000* | **2007** *HK$'000* |
|---|---|---|
| Construction and maintenance income | 11,037 | 36 |
| **Other revenue** | | |
| Interest income | 293 | – |
| Others | 1,637 | 207 |
| | 1,930 | 207 |

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

## 7. Finance costs

| | **2008** *HK$'000* | **2007** *HK$'000* |
|---|---|---|
| Interest expense on other loans | 1,053 | – |

## 8. Profit/(loss) before taxation

| | **2008** *HK$'000* | **2007** *HK$'000* |
|---|---|---|
| Profit/(loss) before taxation is arrived at after charging/(crediting):- | | |
| Cost of services provided | 8,737 | 5,424 |
| Staff costs | | |
| – basic salaries and allowances | 786 | – |
| – pension and other schemes contributions | 317 | 838 |
| | 1,103 | 838 |
| Directors' remuneration | – | – |
| Auditor's remuneration | 300 | 265 |
| Depreciation of property, plant and equipment | 39 | – |
| Amortisation of leasehold land | – | 33 |
| Loss on disposal of leasehold land (note 13) | – | 1,756 |
| Gain on disposal of available-for-sale investment | (30,611) | – |

**9. Five highest paid employees**

For the year ended 31 March 2008, the five highest paid individuals in the Group included no directors. Details of the remuneration of these five highest paid individuals are as follows:

| | **2008** |
|---|---|
| | *HK$'000* |
| Salaries and other benefits | 496 |
| Pension scheme contributions | 200 |
| | 696 |

There is no sufficient information to ascertain details of staff costs, including the remuneration of the five highest paid individuals, for the year ended 31 March 2007.

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

| | **Number of employees** |
|---|---|
| | **2008** |
| Nil to HK$1,000,000 | 5 |
| HK$1,000,001 to HK$1,500,000 | – |
| HK$1,500,001 to HK$2,000,000 | – |
| | 5 |

**10. Income tax**

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

| | **2008** | **2007** |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| **Current tax – Hong Kong** | | |
| Provision for the year | – | 3 |

No provision had been made for Hong Kong profits tax as the Group did not have any assessable profit for the current year. Provision for Hong Kong profits tax was calculated at 17.5% on the estimated assessable profits for the year ended 31 March 2007. None of the overseas subsidiaries had any taxation charge in the relevant countries for the current year (2007: HK$Nil).

## 10. Income tax (continued)

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

| | 2008<br>*HK$'000* | 2007<br>*HK$'000* |
|---|---|---|
| Profit/(loss) before taxation | 24,890 | (4,110) |
| Taxation charge/(credit) calculated at Hong Kong profits tax rate of 17.5% (2007: 17.5%) | 4,356 | (719) |
| Tax effect of non-taxable items | (4,527) | – |
| Tax effect on tax losses not recognised | 171 | – |
| Tax effect of non-taxable expenses | – | 722 |
| Income tax for the year | – | 3 |

## 11. Net profit/(loss) from ordinary activities attributable to equity holder of the company

The consolidated profit/(loss) from ordinary activities attributable to equity holders of the Company for the year ended 31 March 2008 includes a loss of HK$194,000 (2007: HK$3,352,000) which has been dealt with in the financial statements of the Company (note 26).

## 12. Earnings/(loss) per share

The calculation of the basic earnings/(loss) per share is based on the profit for the year of HK$24,890,000 (2007: loss of HK$4,113,000) and on the weighted average number of approximately 330,874,303 (2007: 330,874,303) shares in issue during the year.

Diluted earnings/(loss) per share for the years ended 31 March 2007 and 2008 has not been disclosed as there was no dilutive effect during the year ended 31 March 2007 and no diluting events existed during the year ended 31 March 2008.

## 13. Leasehold land

| | The Group | |
|---|---|---|
| | **2008** | **2007** |
| | *HK$'000* | *HK$'000* |
| Carrying amount at beginning of year | – | 1,789 |
| Amortisation | – | (33) |
| Carrying amount at end of year | – | 1,756 |
| Disposal | – | (1,756) |
| Non-current portion | – | – |

The leasehold land was held under medium term lease, situated in Hong Kong and was pledged for bank facilities granted to the Group for the year ended 31 March 2007 (note 22).

## 14. Interests in subsidiaries and interests in unconsolidated subsidiaries

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2008** | **2007** | **2008** | **2007** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Unlisted shares/investments, at cost | 7,561 | 7,561 | 111,011 | 111,011 |
| Loans to subsidiaries (note below) | – | – | 237,210 | 237,210 |
| Amounts due from subsidiaries | – | – | 176,331 | 176,331 |
| | 7,561 | 7,561 | 524,552 | 524,552 |
| Less: Impairment loss | (7,561) | (7,561) | (520,952) | (520,952) |
| | – | – | 3,600 | 3,600 |

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.

*Notes:*

Loans to subsidiaries include an amount of HK$237,200,000 (2007: HK$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 to 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.

*(Expressed in Hong Kong dollars)*

## 14. Interests in subsidiaries and interests in unconsolidated subsidiaries (continued)

*Notes: (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 HK$3,600,000 and HK$nil respectively.

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

– Interform Investment Company Limited (In Liquidation)
– 德森建築科技（深圳）有限公司

Particulars of subsidiaries as at 31 March 2008 were as follows:-

| Name of company | Country of incorporation and operation | Issued and fully paid share/registered capital | Percentage of ordinary shares held Direct | Percentage of ordinary shares held Indirect | Principal activity |
|---|---|---|---|---|---|
| Active Town Limited (In Liquidation) *(note iii below)* | Hong Kong | HK$2 ordinary shares | – | 100 | Building maintenance |
| Bright Town Investment Limited (In Liquidation) *(note iii below)* | Hong Kong | HK$10,000 ordinary shares | – | 100 | Property investment |
| Build Sky Development Consultancy Limited (In Liquidation) *(note iii below)* | Hong Kong | HK$100 ordinary share | – | 100 | Consultancy |
| Colour Paint Limited (In Liquidation) *(note iii below)* | Hong Kong | HK$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 | HK$95,500,000 ordinary shares | 100 | – | Building contractors |

*(Expressed in Hong Kong dollars)*

## 14. 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 Direct | Percentage of ordinary shares held Indirect | Principal activity |
|---|---|---|---|---|---|
| Dickson Construction (Housing) Limited (In Liquidation) *(note iii below)* | Hong Kong | HK$7,000,000 ordinary shares | 100 | – | Building contractors |
| Dickson Construction (Maintenance) Limited (In Liquidation) *(note ii below)* | Hong Kong | HK$2 ordinary shares | 100 | – | Building maintenance |
| Dickson (China) Enterprises Limited (In Liquidation) *(note iii below)* | Hong Kong | HK$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) *(note ii below)* | Hong Kong | HK$2 ordinary shares | – | 100 | Provision of administrative services |
| Dickson (Pacific) Limited | British Virgin Islands | US$1 ordinary shares | 100 | – | Investment holding |
| Dickson Properties Limited (In Liquidation) *(note iii below)* | Hong Kong | HK$10,000 ordinary shares | – | 100 | Investment holding |
| Henly Engineering Limited (In Liquidation) *(note iii below)* | Hong Kong | HK$2 ordinary shares | – | 100 | Building contractors |
| Interform Investment Company Limited (In Liquidation) *(note iii below)* | Hong Kong | HK$2 ordinary shares | – | 100 | Investment holding |
| i-Concepts Investment Limited | British Virgin Islands | US$1 ordinary shares | – | 100 | Investment holding |
| Joint Wealthy Holdings Limited (In Liquidation) *(note iii below)* | Hong Kong | HK$2 ordinary shares | – | 100 | Investment holding |

*(Expressed in Hong Kong dollars)*

## 14. 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 | |
| Longway Construction Engineering Limited (In Liquidation) *(note iii below)* | 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 |
| Polywin Engineering Limited (In Liquidation) *(note iii below)* | Hong Kong | HK$2 ordinary shares | – | 100 | Building contractors |
| Uni-Technic Company Limited (In Liquidation) *(note iii below)* | Hong Kong | HK$100,000 ordinary shares | – | 100 | Computer products trading and provision of information technology services |
| Winshan Construction Company Limited (In Liquidation) *(note iii below)* | Hong Kong | HK$60,000 ordinary shares | – | 100 | Building contractors |
| Zotos Investments Limited (In Liquidation) *(note iii below)* | Hong Kong | HK$2 ordinary shares | – | 100 | Property investment |
| 德信建工(廣東)有限公司# | The PRC | US$3,000,000 Registered capital | 100 | – | Building contractors |
| 德信建築科技(深圳)有限公司# | The PRC | HK$1,000,000 Registered capital | – | 100 | Development of computer softwares |

\# Wholly foreign owned enterprises

## 14. Interests in subsidiaries and interests in unconsolidated subsidiaries (continued)

*Notes:*

(i) Cosonic-Lun Ming Joint Venture ("Cosonic-Lun Ming") is an unincorporated entity established and held as to 75% by Cosonic Inc., a subsidiary of the Company, and 25% by Lun Ming Construction Company Limited. At 31 March 2008, the Group had contributed working capital of HK$1,875,000 (2007: HK$1,875,000) to Cosonic-Lun Ming.

(ii) Dickson Construction (Maintenance) Limited (In Liquidation), Dickson Design Services Limited (In Liquidation) and Dickson Construction Company, Limited (In Liquidation) were wound up by the court on 4 October 2006, 18 October 2006 and 18 December 2006 respectively.

(iii) Dickson Construction (Housing) Limited (In Liquidation), Active Town Limited (In Liquidation), Joint Wealthy Holdings Limited (In Liquidation), Bright Town Investment Limited (In Liquidation), Uni-Technic Company Limited (In Liquidation), Build Sky Development Consultancy Limited (In Liquidation), Dickson Properties Limited (In Liquidation), Henly Engineering Limited (In Liquidation), Polywin Engineering Limited (In Liquidation), Winshan Construction Company Limited (In Liquidation), Longway Construction Engineering Limited (In Liquidation), Dickson (China) Enterprises Limited (In Liquidation), Zotos Investments Limited (In Liquidation), Pattern Enterprises (International) Limited (In Liquidation), Interform Investment Company Limited (In Liquidation), and Colour Paint Limited (In Liquidation) had been placed into voluntary liquidation on either 18 or 19 December 2007.

## 15. Interest in a jointly controlled entity

| | The Group | |
|---|---|---|
| | **2008** | **2007** |
| | *HK$'000* | *HK$'000* |
| Share of net assets | – | – |

Particulars of jointly controlled entity are as follows:-

| Name of company | Place of incorporation | Issued and fully paid shares | Percentage of ordinary shares indirectly held % | Principal activity |
|---|---|---|---|---|
| Fullsky Management Limited | Hong Kong | HK$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.

## 15. Interest in a jointly controlled entity (continued)

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

| | **2008** | **2007** |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Non-current assets | – | 955 |
| Current assets | 3,260 | 915 |
| Current liabilities | (5,503) | (2,328) |
| Net liabilities | (2,243) | (458) |
| Income | 22 | 3,523 |
| Expenses | (1,121) | (3,743) |
| Loss for the year | (1,099) | (220) |

## 16. Property, plant and equipment

| **The Group** | **Leasehold improvements** | **Office equipment** | **Furniture and fixtures** | **Total** |
|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Cost: | | | | |
| At 1 April 2006 and 31 March 2007 | – | – | – | – |
| Additions | 398 | 99 | 39 | 536 |
| At 31 March 2008 | 398 | 99 | 39 | 536 |
| Accumulated depreciation | | | | |
| At 1 April 2006 and 31 March 2007 | – | – | – | – |
| Charge for the year | 20 | 8 | 11 | 39 |
| At 31 March 2008 | 20 | 8 | 11 | 39 |
| Net book value: | | | | |
| At 31 March 2008 | 378 | 91 | 28 | 497 |
| At 31 March 2007 | – | – | – | – |

## 17. Available-for-sale investment

| | **The Group** | |
|---|---|---|
| | **2008** | **2007** |
| | *HK$'000* | *HK$'000* |
| Listed equity investment in Hong Kong, fair value | – | 8,176 |

Available-for-sale investment as at 31 March 2007 represented investment in a listed equity security that offered the Group the opportunity for return through dividend income and fair value gains. They had no fixed maturity or coupon rate. The fair value of the security was based on quoted market prices. The investment was disposed of during the year.

## 18. Amounts due from customers for contract work

| | The Group | |
|---|---|---|
| | **2008** | **2007** |
| | *HK$'000* | *HK$'000* |
| Gross amount due from contract customers | – | 288,824 |
| | – | 288,824 |
| Less: Impairment loss | – | (288,824) |
| | – | – |
| Contract costs incurred plus recognised profits less recognised losses to date | 10,330 | 1,568,475 |
| Less: Progress billings | (10,330) | (1,279,651) |
| Impairment loss | – | (288,824) |
| | – | – |

## 19. Trade and other receivables

| | The Group | |
|---|---|---|
| | **2008** | **2007** |
| | *HK$'000* | *HK$'000* |
| Trade receivables | 1,972 | 115,743 |
| Other receivables | 229 | 152,331 |
| | 2,201 | 268,074 |
| Less: Impairment loss | – | (268,074) |
| | 2,201 | – |

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.

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

| | The Group | |
|---|---|---|
| | **2008** | **2007** |
| | *HK$'000* | *HK$'000* |
| Neither past due nor impaired | 2,201 | – |

Trade receivables that were neither past due nor impaired relate to customers for whom there was no recent history of default.

### 20. Amount due from a jointly controlled entity

The balance is unsecured, interest free and has no fixed terms of repayment. At 31 March 2008, the Group provided for the amount due from a jointly controlled entity in full.

### 21. Trade and other payables

| | The Group | |
|---|---|---|
| | **2008** | **2007** |
| | *HK$'000* | *HK$'000* |
| Trade payables | 380,639 | 286,306 |
| Other payables | 23,243 | 116,127 |
| | 403,882 | 402,433 |

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

### 22. Bank and other borrowings

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2008** | **2007** | **2008** | **2007** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Repayable within one year or on demand: | | | | |
| Bank overdrafts | – | 1,421 | – | 1,239 |
| Bank loans and import and export loans | 132,270 | 130,834 | – | – |
| Other loans | 38,937 | 36,380 | 30,618 | 29,379 |
| | 171,207 | 168,635 | 30,618 | 30,618 |
| Analysed as: | | | | |
| Secured bank loans, import and export loans and overdrafts | 132,270 | 132,255 | – | 1,239 |
| Unsecured other loans | 38,937 | 36,380 | 30,618 | 29,379 |
| | 171,207 | 168,635 | 30,618 | 30,618 |

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 assets pledged by the Group to secure banking facilities are set out in note 30 to the financial statements.

Certain banks withdrew and cancelled the banking facilities granted to the Group and formally requested for the immediate repayment of the loans and overdrafts in full.

### 23. Convertible notes

On 5 September 2005, the Company issued convertible notes to the principal amount of HK$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 the 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 by the Liquidators. The residual amount is assigned as the equity component and is included in shareholders' equity.

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

| | The Group and the Company | |
|---|---|---|
| | **2008** | **2007** |
| | *HK$'000* | *HK$'000* |
| Nominal value of convertible notes issued | 5,050 | 5,050 |
| Equity component | (867) | (867) |
| Liability component at the issuance date and at end of year | 4,183 | 4,183 |

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 Group and the Company had no significant deferred tax assets or liabilities as at 31 March 2007 and 2008.

### 25. Share capital

| | **2008** | **2007** |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Authorised: | | |
| 4,000,000,000 ordinary shares of HK$0.05 each | 200,000 | 200,000 |
| Issued and fully paid: | | |
| 330,874,303 ordinary shares of HK$0.05 each | 16,544 | 16,544 |

## 26. Reserves

| | Share premium | Contributed surplus | Capital redemption reserve | Convertible notes reserve *(note 23)* | Accumulated losses | Total |
|---|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Balance at 1 April 2006 | 142,131 | 69,476 | 109 | 867 | (599,534) | (386,951) |
| Transfer | – | – | – | (867) | 867 | – |
| Loss for the year | – | – | – | – | (3,352) | (3,352) |
| Balance at 31 March 2007 | 142,131 | 69,476 | 109 | – | (602,019) | (390,303) |
| Loss for the year | – | – | – | – | (194) | (194) |
| Balance at 31 March 2008 | 142,131 | 69,476 | 109 | – | (602,213) | (390,497) |

Details of the share premium account and contributed surplus are stated in the consolidated statement of changes in equity on page 24 of the financial statements.

## 27. Operating lease arrangements

*The Group as lessee*

| | The Group | |
|---|---|---|
| | **2008** | **2007** |
| | *HK$'000* | *HK$'000* |
| Minimum lease payments paid under operating leases during the year are as follows: | | |
| Premises | 745 | 332 |

## 27. Operating lease arrangements (continued)

At the balance sheet date, 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 | |
|---|---|---|---|---|
| | **2008** | **2007** | **2008** | **2007** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Within one year | 34 | 1,459 | – | – |
| In the second to fifth years inclusive | – | 63 | – | – |
| | 34 | 1,522 | – | – |

Leases are negotiated for an average term of one year (2007: two years) and the rentals are fixed during the relevant lease periods.

## 28. Capital commitments

| | The Group and the Company | |
|---|---|---|
| | **2008** | **2007** |
| | *HK$'000* | *HK$'000* |
| Capital expenditure contracted for but not provided in the financial statements – Capital injection to a subsidiary | 30,169 | 30,169 |

## 29. Contingent liabilities

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

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2008** | **2007** | **2008** | **2007** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'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 of certain group companies 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 |
| | 5,300 | 5,300 | 164,000 | 164,000 |

(b) At 16 December 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 a subsidiary and indemnify HKHA against all losses, damages, costs and expenses suffered or incurred by HKHA in respect of these three projects.

DCCL has contractual disputes with the 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 for all losses suffered on DCCL's performance and losses arising from the re-tendering of these construction contracts. 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 the HKHA and ASD.

## 30. Pledge of assets

### The Group

At 31 March 2007, the available-for-sale investment was pledged to a third party to secure a short-term loan facility obtained by a wholly-owned subsidiary. During the year, the short-term loan facility was fully repaid. Details are set out in note 17 to the financial statements.

## 31. Related party disclosures

(a) Balances with related parties

Details of balance with the Group's jointly controlled entity are set out in note 20 to the financial statements.

Amounts due to subsidiaries including unconsolidated subsidiaries are unsecured, interest free and have no fixed terms of repayment.

(b) Members of key management during the year comprised the directors only who did not receive any remuneration during the year (2007: HK$Nil).

## 32. Capital risk management

The Group's objective of managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts.

The capital structure of the Group consists of equity attributable to equity holders of the Company only, comprising share capital and reserves.

## 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 cash at banks and in hand, 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.

*(b) Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, details of which are set out in note 2 to the financial statements.

*(c) Currency risk*

Currency risk to the Group is minimal as most of its transactions are carried out in functional currencies of the respective group companies.

*(d) 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 material long-term financial assets and liabilities.

*(e) Fair value estimation*

All financial instruments are carried at amounts not materially different from their fair value as at 31 March 2008.

## 34. Retirement benefit schemes

The Group is required to contribute to a Mandatory Provident Fund scheme (the "MPF Scheme") for certain employees based on applicable rates of monthly salary in accordance with the Hong Kong Mandatory Provident Fund Schemes Ordinance.

In addition to the MPF Scheme, the Group is required to contribute to a central pension scheme for its employees in the PRC based on the applicable basis and rates with the relevant government regulations.

## 35. Summary of financial assets and financial liabilities by category

The carrying amounts of the Group's financial assets and financial liabilities as recognised at 31 March 2008 and 2007 are categorised as follows:

| | 2008 | 2007 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| **Financial assets** | | |
| Loans and receivables (including cash at banks and in hand) | 42,524 | 5,170 |
| Available-for-sale investment | – | 8,176 |
| **Financial liabilities** | | |
| Financial liabilities measured at amortised cost | 579,666 | 575,645 |

## 36. Significant post-balance sheet events

(i) A special general meeting was convened on 23 April 2008 and all the resolutions regarding the implementation of the restructuring were duly and unanimously passed by the shareholders attending and eligible to vote at the meeting.

(ii) The creditors' meetings to approve the Hong Kong Scheme and the Bermuda Scheme were held on 23 April 2008 and 26 May 2008 respectively. Both Schemes were duly and unanimously passed by the attending creditors. The Hong Kong Scheme was sanctioned by the Hong Kong Court on 27 May 2008 and the Bermuda Scheme was sanctioned by the Bermuda Court on 13 June 2008.

(iii) On 27 May 2008, the Hong Kong Court had ordered that all further proceedings in the winding up of the Company pursuant to the order dated 18 December 2006 be stayed on condition that the restructuring is completed.

(iv) The Company's interests in the subsidiaries, except in Dickson Guangdong, had been transferred to a new company on 2 June 2008 and 18 June 2008.

# FIVE YEARS SUMMARY

The following table summarises the results, and the assets and liabilities and minority interests of the Group for each of five years ended 31 March:

## RESULTS

| | Year ended 31 March | | | | |
|---|---|---|---|---|---|
| | **2004** | **2005** | **2006** | **2007** | **2008** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Turnover | 1,385,774 | 1,027,528 | 339,429 | 36 | 11,037 |
| Profit/(loss) before taxation | 13,359 | 14,761 | (748,863) | (4,110) | 24,890 |
| Taxation | (4,774) | (3,428) | (2,034) | (3) | – |
| Profit/(loss) before minority interest | 8,585 | 11,333 | (750,897) | (4,113) | 24,890 |
| Minority interest | 2 | 4 | 3 | – | – |
| Profit/(loss) attribute to the equity holders of the company | 8,587 | 11,337 | (750,894) | (4,113) | 24,890 |

## ASSETS AND LIABILITIES

| | Year ended 31 March | | | | |
|---|---|---|---|---|---|
| | **2004** | **2005** | **2006** | **2007** | **2008** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Total assets | 782,326 | 838,691 | 13,766 | 13,346 | 43,021 |
| Total liabilities | (636,569) | (654,481) | (574,740) | (579,001) | (583,022) |
| Shareholders' funds | 145,757 | 184,210 | (560,974) | (565,655) | (540,001) |