Notes to Financial Statements 31 March 2004

1. CORPORATE INFORMATION

The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and the principal place of business in Hong Kong is 8th floor, 8 Queen's Road Central, Hong Kong.

During the year, the Group was involved in the following principal activities:

- the provision and installation of fire-rated timber door sets, as well as the provision of interior decoration and renovation services and other carpentry works; and
- the trading of timber.

2. IMPACT OF REVISED HONG KONG STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs")

SSAP 12 (Revised) "Income taxes" is effective for the first time for the current year's financial statements.

The SSAP has had no significant impact for these financial statements on the amounts recorded for income tax. However, the related note disclosures are now more extensive than previously required. These are detailed in note 10 to the financial statements and include a reconciliation between the accounting loss and the tax expense for the year.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2004. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Subsidiaries

A subsidiary is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Notes to Financial Statements 31 March 2004

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Associates

An associate is a company, not being a subsidiary, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. Goodwill arising from the acquisition of associates is included as part of the Group's interests in associates.

Goodwill

Goodwill arising on the acquisition of subsidiaries and associates represents the excess of the cost of the acquisition over the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life of not more than 20 years. In the case of associates, any unamortised goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

On disposal of subsidiaries or associates, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and any relevant reserves, as appropriate.

The carrying amount of goodwill is reviewed annually and written down for impairment when it is considered necessary. A previously recognised impairment loss for goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.

Related parties

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 influence. Related parties may be individuals or corporate entities.

Notes to Financial Statements 31 March 2004

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises.

Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation and any impairment losses.

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

Depreciation is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	20%
Furniture, fixtures and office equipment	20%
Motor vehicles and pleasure craft	20%

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Notes to Financial Statements 31 March 2004

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leased assets

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in fixed assets and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the profit and loss account so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

Long term investment

Long term investment is an investment in unlisted equity securities intended to be held on a long term basis. The long term investment is stated at cost less any impairment losses.

When a decline in the fair value of a security below its carrying amount has occurred, unless there is evidence that the decline is temporary, the carrying amount of the security is reduced to its fair value, as estimated by the directors. The amount of the impairment is charged to the profit and loss account for the period in which it arises. When the circumstances and events which led to the impairment in value cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future, the amount of the impairment previously charged is credited to the profit and loss account to the extent of the amount previously charged.

Construction contracts

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

Revenue from construction contracts is recognised on the percentage of completion method, measured by reference to the percentage of the value of work performed to the contract sum for each 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.

Notes to Financial Statements 31 March 2004

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheet, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the profit and loss account.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the profit and loss account or in equity if it relates to items that are recognised in the same or a different period, directly in equity.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences:

- except where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Notes to Financial Statements 31 March 2004

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax assets and unused tax losses can be utilised:

- except where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from construction contracts, on the percentage of completion basis as further explained in the accounting policy for "Construction contracts" above; and

(c) interest income, on a time proportion basis taking into account the principal outstanding and the effective rate of interest applicable.

Notes to Financial Statements 31 March 2004

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the capital and reserves section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim or special dividends are simultaneously proposed and declared, because the Company's articles of association grant the directors the authority to declare interim or special dividends. Consequently, interim or special dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currency transactions

Foreign currency transactions are recorded at the applicable exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable exchange rates ruling at that date. Exchange differences are dealt with in the profit and loss account.

Employee benefits

Retirement benefits scheme

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

Share option scheme

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The financial impact of share options granted under the share option scheme is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date, or which lapse, are deleted from the register of outstanding options.

4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

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

(a) the construction segment provides and installs fire-rated timber door sets, as well as provides interior decoration and renovation services and other carpentry works; and

(b) the timber segment engages in the trading of timber.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

Notes to Financial Statements 31 March 2004

4. SEGMENT INFORMATION *(Continued)*

(a) Business segments

The following tables present revenue, profit/loss and certain asset, liability and expenditure information for the Group's business segments.

	Construction		Timber		Total	
	2004	2003	**2004**	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:						
Sales to external customers	**19,918**	55,630	**3,257**	–	**23,175**	55,630
Other revenue	**3**	12	**–**	–	**3**	12
Total	**19,921**	55,642	**3,257**	–	**23,178**	55,642
Segment results	**(14,670)**	(2,406)	**429**	–	**(14,241)**	(2,406)
Interest income	**–**	31	**–**	–	**–**	31
Gain on disposal of an associate					**299**	–
Loss from operating activities					**(13,942)**	(2,375)
Finance costs	**(359)**	(113)	**–**	–	**(359)**	(113)
Share of results of an associate					**311**	–
Amortisation of goodwill					**(610)**	–
					(299)	–
Loss before tax					**(14,600)**	(2,488)
Tax					**–**	(480)
Net loss from ordinary activities attributable to shareholders					**(14,600)**	(2,968)

Notes to Financial Statements 31 March 2004

4. SEGMENT INFORMATION *(Continued)*

(a) Business segments *(Continued)*

	Construction		Timber		Total	
	2004	2003	**2004**	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**57,594**	97,030	**32,400**	–	**89,994**	97,030
Unallocated assets					**1,420**	1,387
Total assets					**91,414**	98,417
Segment liabilities	**19,390**	11,793	**–**	–	**19,390**	11,793
Total liabilities					**19,390**	11,793
Other segment information:						
Depreciation and amortisation	**3,502**	2,555	**1,457**	–	**4,959**	2,555
Unallocated amounts					**610**	–
					5,569	2,555
Bad and doubtful debt provisions	**288**	1,947	**–**	–	**288**	1,947
Capital expenditure	**65**	13,652	**–**	–	**65**	13,652

Notes to Financial Statements 31 March 2004

4. SEGMENT INFORMATION *(Continued)*

(b) Geographical segments

The following tables present revenue and certain asset and expenditure information for the Group's geographical segments:

	Hong Kong		Mainland China		Total	
	2004	2003	**2004**	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:						
Sales to external customers	**19,918**	55,630	**3,257**	–	**23,175**	55,630
Other revenue	**3**	12	**–**	–	**3**	12
	19,921	55,642	**3,257**	–	**23,178**	55,642
Other segment information:						
Segment assets	**89,994**	97,030	**–**	–	**89,994**	97,030
Unallocated assets					**1,420**	1,387
					91,414	98,417
Capital expenditure	**65**	13,652	**–**	–	**65**	13,652

Notes to Financial Statements 31 March 2004

5. TURNOVER AND REVENUE

Turnover represents an appropriate proportion of contract revenue from construction contracts and the net invoiced value of goods sold, after allowances for returns and trade discounts.

An analysis of turnover and other revenue and gains is as follows:

	Group	
	2004	2003
	HK$'000	*HK$'000*
TURNOVER		
Contract revenue	**19,918**	55,630
Trading of timber	**3,257**	–
	23,175	55,630
OTHER REVENUE AND GAINS		
Gain on disposal of an assoicate	**299**	–
Gain on disposal of fixed assets	**2**	–
Interest income	**–**	31
Other	**1**	12
	302	43

Notes to Financial Statements 31 March 2004

6. LOSS FROM OPERATING ACTIVITIES

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

	Group	
	2004	2003
	HK$'000	*HK$'000*
Depreciation	**3,502**	2,555
Goodwill amortisation*	**1,457**	–
Auditors' remuneration	**750**	880
Staff costs (excluding directors' remuneration – note 8):		
Salaries and wages	**2,936**	3,119
Pension scheme contributions	**228**	142
	3,164	3,261
Minimum lease payments under operating leases in respect of land and buildings	**750**	504
Bad and doubtful debt provisions	**288**	1,947
Exchange losses, net	**52**	–
Gain on disposal of an associate	**(299)**	–
Gain on disposal of fixed assets	**(2)**	–
Interest income	**–**	(31)

* The amortisation of goodwill for the year is included in "other operating expenses" on the face of the consolidated profit and loss account.

7. FINANCE COSTS

	Group	
	2004	2003
	HK$'000	*HK$'000*
Interest on hire purchase contracts	**359**	113

Notes to Financial Statements 31 March 2004

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2004	2003
	HK$'000	*HK$'000*
Fees	**40**	40
Other emoluments:		
Salaries, bonuses and other benefits in kind	**2,577**	1,935
Pension scheme contributions	**63**	60
	2,640	1,995
	2,680	2,035

Fees include HK$40,000 (2003: HK$40,000) payable to the independent non-executive directors. There were no other emoluments payable to the independent non-executive directors during the year (2003: Nil).

The number of directors whose remuneration fell within the following bands is as follows:

	Number of directors	
	2004	2003
Nil to HK$1,000,000	**8**	8

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

Notes to Financial Statements 31 March 2004

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2003: four) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining one (2003: one) non-director, highest paid employees for the year are as follows:

	Group	
	2004	2003
	HK$'000	*HK$'000*
Salaries, bonuses and other allowances and benefits in kind	**416**	284
Pension scheme contributions	**12**	12
	428	296

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

	Number of employees	
	2004	2003
Nil to HK$1,000,000	**1**	1

10. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 16%) on the estimated assessable profits arising in Hong Kong during the year. The increased Hong Kong profits tax rate became effective from the year of assessment 2003/2004, and so is applicable to the assessable profits arising in Hong Kong for the whole of the year ended 31 March 2004.

	Group	
	2004	2003
	HK$'000	*HK$'000*
Charge for the year – Hong Kong	**–**	480

Notes to Financial Statements 31 March 2004

10. TAX *(Continued)*

A reconciliation of the tax expense applicable to loss before tax using the statutory rates for the countries in which the Company, its subsidiaries and associates are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

Group

	2004		2003	
	HK$'000	**%**	*HK$'000*	%
Loss before tax	**14,600**		2,488	
Tax at the statutory tax rate	**(2,555)**	**(17.5)**	(398)	(16.0)
Income not subject to tax	**(636)**	**(4.3)**	(196)	(7.9)
Expenses not deductible for tax	**868**	**5.9**	679	27.3
Tax losses not recognised as deferred tax assets	**2,323**	**15.9**	395	15.9
Tax charge at the Group's effective rate	**–**	**–**	480	19.3

11. NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders for the year ended 31 March 2004 dealt with in the financial statements of the Company was HK$19,656,000 (2003: profit of HK$2,313,000) (note 25).

12. DIVIDENDS

	2004	2003
	HK$'000	*HK$'000*
Interim – nil (2003: HK 2 cents per ordinary share)	**–**	13,440

13. LOSS PER SHARE

The calculation of the basic loss per share is based on the net loss from ordinary activities attributable to shareholders for the year of HK$14,600,000 (2003: HK$2,968,000), and the weighted average of 672,000,000 (2003: 619,528,767) ordinary shares in issue during the year.

Diluted loss per share amounts for the years ended 31 March 2003 and 2004 have not been disclosed as no diluting events existed during these years.

Notes to Financial Statements 31 March 2004

14. FIXED ASSETS

Group

	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles and pleasure craft HK$'000	Total HK$'000
Cost:				
At beginning of year	3,503	682	13,591	17,776
Additions	2	63	–	65
Disposals	–	–	(324)	(324)
At 31 March 2004	**3,505**	**745**	**13,267**	**17,517**
Accumulated depreciation:				
At beginning of year	531	287	2,130	2,948
Provided during the year	653	132	2,717	3,502
Disposals	–	–	(75)	(75)
At 31 March 2004	**1,184**	**419**	**4,772**	**6,375**
Net book value:				
At 31 March 2004	**2,321**	**326**	**8,495**	**11,142**
At 31 March 2003	2,972	395	11,461	14,828

Company

	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Total HK$'000
Cost:			
At beginning of year	3,261	370	3,631
Additions	2	63	65
At 31 March 2004	**3,263**	**433**	**3,696**
Accumulated depreciation:			
At beginning of year	289	74	363
Provided during the year	653	80	733
At 31 March 2004	**942**	**154**	**1,096**
Net book value:			
At 31 March 2004	**2,321**	**279**	**2,600**
At 31 March 2003	2,972	296	3,268

The net book value of the Group's fixed assets held under hire purchase contracts included in the total amount of furniture, fixtures and office equipment, motor vehicles and pleasure craft at 31 March 2004 amounted to HK$10,000 and HK$5,794,000 (2003: HK$35,000 and HK$7,764,000), respectively.

Notes to Financial Statements 31 March 2004

15. GOODWILL

The amounts of the goodwill capitalised as an asset or recognised in the consolidated balance sheet, arising from the acquisition of subsidiaries, are as follows:

Group	*HK$'000*
Cost:	
At beginning of year	–
Acquisition of subsidiaries *(note 26)*	12,491
At 31 March 2004	**12,491**
Accumulated amortisation:	
At beginning of year	–
Provided during the year	1,457
At 31 March 2004	**1,457**
Net book value:	
At 31 March 2004	**11,034**
At 31 March 2003	–

16. INTERESTS IN SUBSIDIARIES

	Company	
	2004	2003
	HK$'000	*HK$'000*
Unlisted shares, at cost	**36,801**	36,801
Due from subsidiaries	**46,490**	39,996
Due to subsidiaries	**(33,667)**	(18,604)
	49,624	58,193
Provision for impairment	**(10,400)**	(370)
	39,224	57,823

The amounts due from/to subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

Further particulars of the Company's principal subsidiaries as at 31 March 2004 are set out in note 30 to the financial statements.

Notes to Financial Statements 31 March 2004

17. LONG TERM INVESTMENT

	Group	
	2004	2003
	HK$'000	*HK$'000*
Unlisted equity investment, at cost	**–**	2,371

18. ACCOUNTS RECEIVABLE

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

	Group	
	2004	2003
	HK$'000	*HK$'000*
Current – 90 days	**14,772**	5,043
91 – 180 days	**–**	–
181 – 365 days	**–**	9,148
Over 365 days	**1,619**	3,067
	16,391	17,258
Retention monies receivable	**2,198**	4,802
	18,589	22,060

Interim applications for progress payments for contract works are normally made on a monthly basis. The credit period is generally for a period of two months extending up to six months for its major contract customers. For retention monies receivable in respect of contract works, the due dates are usually six months to one year after the issue of the statements of the final accounts of the contract works.

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2004	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Deposits and prepayments	**21,177**	28,974	**21,167**	28,841
Other receivables	**3,988**	–	**3,550**	–
	25,165	28,974	**24,717**	28,841

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(Continued)*

The deposits and prepayments accounts at 31 March 2004 include deposits aggregating approximately HK$21 million advanced to a supplier for the purchase of log for trading purposes.

The deposits and prepayments accounts at 31 March 2003 included deposits aggregating approximately HK$27 million paid to a number of log suppliers for the purchase of log to be used by the Group in certain potential contracts for the supply of fire-rated timber door sets. However, since the respective tenders of the contracts were not ultimately awarded, the Group had terminated the purchase contracts with the log suppliers and the deposits were fully refunded during the year.

20. ACCOUNTS PAYABLE

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

	Group	
	2004	2003
	HK$'000	*HK$'000*
Current – 90 days	**8,610**	782
91 – 180 days	**–**	259
181 – 365 days	**–**	66
Over 365 days	**846**	59
	9,456	1,166
Retention monies payable	**1,157**	1,298
	10,613	2,464

21. DUE TO DIRECTORS

The amounts due to directors are unsecured, interest-free and have no fixed terms of repayment.

Notes to Financial Statements 31 March 2004

22. HIRE PURCHASE CONTRACT PAYABLES

The Group leases certain of its office equipment, motor vehicles and pleasure craft. These leases are classified as hire purchase contracts with remaining lease terms ranging from two to five years.

At the balance sheet date, the total future minimum lease payments under hire purchase contracts and their present values were as follows:

	Minimum lease payments		**Present value of minimum lease payments**	
	2004	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Amounts payable:				
Within one year	**1,964**	2,022	**1,717**	1,724
In the second year	**1,952**	2,021	**1,801**	1,782
In the third to fifth years, inclusive	**1,827**	3,830	**1,765**	3,546
Total minimum lease payments	**5,743**	7,873	**5,283**	7,052
Future finance charges	**(460)**	(821)		
Total net hire purchase contract payables	**5,283**	7,052		
Portion classified as current liabilities	**(1,717)**	(1,724)		
Long term portion of hire purchase contract payables	**3,566**	5,328		

23. DEFERRED TAX

No provision for deferred tax has been made as the taxable and deductible temporary differences are immaterial.

The Group has tax losses arising in Hong Kong of HK$3,157,000 (2003: HK$1,852,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time.

Notes to Financial Statements 31 March 2004

24. SHARE CAPITAL

(a) Shares

	Company	
	2004	2003
	HK$'000	*HK$'000*
Authorised:		
1,000,000,000 ordinary shares of HK$0.1 each	**100,000**	100,000
Issued:		
672,000,000 ordinary shares of HK$0.1 each fully paid	**67,200**	67,200

(b) Share option scheme

A share option scheme ("the Scheme") was conditionally approved by a written resolution of all shareholders of the Company dated 6 July 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. The purpose of the Scheme is to enable the Company to grant options to selected employees and directors as an incentive or reward for their contribution to the Group. The board of directors (the "Board") may, at its discretion, invite any executive director, non-executive director, independent non-executive director and/or full-time or part-time employee of any company in the Group from time to time whom determined by the Board as having contributed to the development and growth of the Company and/or any of its subsidiaries, to take up options at HK$1 each to subscribe for such number of shares as the Board shall determine, at a price calculated in accordance with the paragraph below.

The subscription price for shares under the Scheme will be a price determined by the Board and notified to each grantee and will be the higher of (i) the average closing prices of the shares on the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of the grant; or (ii) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of the grant, which must be a business day; and (iii) the nominal value of a share.

Notes to Financial Statements 31 March 2004

24. SHARE CAPITAL *(Continued)*

(b) Share option scheme *(Continued)*

The maximum number of shares to be issued upon exercise of all outstanding options under the Scheme and any other share option schemes of the Company will not exceed 30% (or where applicable, such higher percentage as may from time to time to be permitted under the Listing Rules or by the Stock Exchange) of the total number of the issued shares from time to time. The total number of shares available for issue under options which may be granted under the Scheme and any other share option schemes of the Company must not in aggregate exceed 67,200,000 shares, representing 10% of the issued share capital of the Company, as at the date of listing of shares on the Stock Exchange. The Company may seek approval of its shareholders at a general meeting to renew the 10% limit. However, the total number of shares available for issue under options which may be granted under the Scheme and any other share option schemes of the Company in these circumstances, must not exceed 10% of the issued share capital of the Company at the date of approval of renewing such a limit. No option may be granted to any one person which, if exercised in full, would result in the total number of shares issued and to be issued upon exercise of all options granted and to be granted to him/her in the 12-month period up to and including the date of such a grant, to exceed 1% of the issued share capital of the Company as at the date of the grant. Any further grant of options in excess of the foregoing limit must be subject to the approval of the shareholders of the Company in a general meeting.

A grant of options to a director, chief executive or substantial shareholder of the Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by all the independent non-executive directors (excluding any independent non-executive director who or whose associate is the proposed grantee of the options). If the Company proposes to grant options to a substantial shareholder (as defined in the Listing Rules) or an independent non-executive director or their respective associates (as defined in the Listing Rules) which will result in the number of shares issued and to be issued upon exercise of options granted and to be granted (including options exercised, cancelled and outstanding) under the Scheme and any other share option schemes of the Company to any such person in the 12-month period up to and including the date of such a grant (i) representing in aggregate over 0.1% of the shares in issue as at the date of such a further proposed grant; and (ii) having an aggregate value, based on the closing price of the shares as stated in the daily quotation sheets of the Stock Exchange at the date of such a grant, in excess of HK$5,000,000; such a further grant shall be subject to the approval of the shareholders of the Company in a general meeting. Shareholders' approval must be obtained for any change in the terms of options granted to a grantee who is a substantial shareholder or an independent non-executive director of the Company or their respective associates.

Notes to Financial Statements 31 March 2004

24. SHARE CAPITAL *(Continued)*

(b) Share option scheme *(Continued)*

An option may be exercised in accordance with the terms of the Scheme at any time during a period commencing immediately after the date on which the option is accepted and deemed to be granted and expiring on a date to be notified by the Board to each grantee which shall not be more than 10 years from the date on which the option is accepted and deemed to be granted. According to the Scheme, there is no general requirement for a minimum holding period or performance targets before an option may be exercised.

The directors may terminate the Scheme, subject to shareholders' approval in a general meeting, at any time, but options granted prior to such termination shall continue to be valid and exercisable in accordance with the terms of the Scheme. Any cancellation of options granted, but not exercised, shall be approved by the shareholders of the Company in a general meeting.

The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercisable price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are lapsed or cancelled prior to their exercise date are deleted from the register of outstanding options.

No share options have been granted under the Scheme during the year nor were outstanding at the balance sheet date.

25. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 18 of the financial statements.

The Group's contributed surplus represented the difference between the nominal value of the shares, the share premium account and the contributed surplus of the subsidiaries acquired pursuant to the Group reorganisation prior to the listing of the Company's shares, over the nominal value of the Company's shares issued in exchange therefor.

Notes to Financial Statements 31 March 2004

25. RESERVES *(Continued)*

(b) Company

	Contributed surplus	Share premium account	Retained profits/ (accumulated losses)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2002	–	–	–	–
Arising from the acquisition of subsidiaries	61,601	–	–	61,601
Issue of shares	–	33,600	–	33,600
Capitalisation issue of shares	(27,554)	(22,646)	–	(50,200)
Share issue expenses	–	(10,954)	–	(10,954)
Net profit for the year	–	–	2,313	2,313
Interim 2003 dividend	(13,440)	–	–	(13,440)
At 31 March 2003 and 1 April 2003	20,607	–	2,313	22,920
Net loss for the year	–	–	(19,656)	(19,656)
At 31 March 2004	**20,607**	**–**	**(17,343)**	**3,264**

The contributed surplus of the Company represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the reorganisation, over the nominal value of the Company's shares issued in exchange therefor.

Notes to Financial Statements 31 March 2004

26. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Acquisition of subsidiaries

	Note	**2004** **HK$'000**	2003 HK$'000
Net assets acquired:			
Fixed assets	*14*	**–**	3,576
Cash and bank balances		**–**	162
Prepayments and other receivables		**9**	1,544
Hire purchase contract payables		**–**	(2,182)
		9	3,100
Goodwill on acquisition	*15*	**12,491**	–
		12,500	3,100
Satisfied by:			
Cash		**12,500**	3,100

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries is as follows:

	2004 **HK$'000**	2003 HK$'000
Cash consideration	**(12,500)**	(3,100)
Cash and bank balances acquired	**–**	162
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	**(12,500)**	(2,938)

On 26 August 2003, the Group acquired a 100% interest in MFT Epping Trading Limited (formerly known as Epping Trading Limited) from an independent third party. Epping Trading Limited is principally engaged in the trading of timber and has an exclusive right to distribute all log produced or processed by a supplier in The Republic of Congo. The purchase consideration was in the form of cash.

Since its acquisition, MFT Epping Trading Limited contributed HK$3,257,000 to the Group's turnover and HK$429,000 profit after tax to the Group's results for the year ended 31 March 2004.

The subsidiaries acquired in the prior year had no contribution to the Group's turnover and contributed HK$2,677,000 loss after tax to the Group's result for the year ended 31 March 2004.

Notes to Financial Statements 31 March 2004

26. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(b) During the year, the Group acquired an associate for a cash consideration of HK$11,000,000. The associate was subsequently disposed by the Group by way of exercising a put option to the original shareholder for the same amount.

27. OPERATING LEASE ARRANGEMENTS

The Group leases its office properties under operating lease arrangements. Leases for the properties are negotiated for terms of three years.

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group and Company	
	2004	2003
	HK$'000	*HK$'000*
Within one year	**958**	825
In the second to fifth years, inclusive	**399**	1,357
	1,357	2,182

28. COMMITMENTS

At the balance sheet date, neither the Group, nor the Company had any significant commitments.

29. CONTINGENT LIABILITIES

At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	Group		Company	
	2004	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Guarantees given to banks in connection with hire purchase contracts	**–**	–	**5,230**	6,695

Notes to Financial Statements 31 March 2004

30. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries are as follows:

Company name	Place of incorporation and operations	Nominal value of issued and paid-up capital	Percentage of equity interest attributable to the Company Direct	Percentage of equity interest attributable to the Company Indirect	Principal activities
LFP Engineering Limited	Hong Kong	HK$200,000 Ordinary	–	100	Provision and installation of fire-rated timber door sets and the provision of interior decoration and renovation services
MFT Epping Trading Limited *	British Virgin Islands/ The Republic of Congo	US$1 Ordinary	–	100	Trading of timber
Tai Sang (Far East) Limited	Hong Kong	HK$10,000 Ordinary	–	100	Investment holding
Giant Gold Investments Limited	British Virgin Islands	US$1 Ordinary	100	–	Investment holding
Profitown Venture Corporation	British Virgin Islands	US$200 Ordinary	100	–	Investment holding
Billion Concept Limited	Hong Kong	HK$10,000 Ordinary	100	–	Holding of motor vehicles
First Billion Development Limited	Hong Kong	HK$10,000 Ordinary	–	100	Holding of motor vehicles

* Newly acquired during the year.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

31. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 22 July 2004.