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 Unit 2108, 21/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong.

During the year, the Group was principally engaged in the trading of timber logs. In the prior year, the Group was also principally involved in the provision and installation of fire-rated timber door sets and the provision of interior decoration and renovation services. These activities were minimal in the current year.

2. IMPACT OF RECENTLY ISSUED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Hong Kong Institute of Certified Public Accountants has issued a number of new Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards, herein collectively referred to as the new HKFRSs, which are generally effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 March 2005. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (which also includes Statements of Standard Accounting Practice and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, 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, except for the periodic remeasurement of short term investments as further explained below.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2005. 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.

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 exceeding 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.

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 and 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.

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.

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.

Short term investments

Short term investments are investments in equity securities held for trading purposes and are stated at their fair values on the basis of their quoted market prices at the balance sheet date, on an individual investment basis. The gains or losses arising from changes in the fair value of a security are credited or charged to the profit and loss account in the period in which they arise.

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 cash equivalents 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.

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.

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

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

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the balance sheet date is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the balance sheet date for the expected future cost of such paid leave earned during the year by the employees and carried forward.

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;

(b) the timber segment engages in the trading of timber logs; and

(c) the corporate segment included general corporate income and expense items.

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.

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		Corporate		Total	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:								
Sales to external customers	**471**	19,918	**66,619**	3,257	**–**	–	**67,090**	23,175
Other revenue	**–**	–	**–**	–	**431**	3	**431**	3
Total	**471**	19,918	**66,619**	3,257	**431**	3	**67,521**	23,178
Segment results	**(1,845)**	(150)	**(1,088)**	(1,028)	**(8,255)**	(13,063)	**(11,188)**	(14,241)
Gain on disposal of an associate							**–**	299
Finance costs	**–**	–	**–**	–	**(235)**	(359)	**(235)**	(359)
Share of results of an associate							**–**	311
Amortisation of goodwill							**–**	(610)
							–	(299)
Loss before tax							**(11,423)**	(14,600)
Tax							**(180)**	–
Net loss from ordinary activities attributable to shareholders							**(11,603)**	(14,600)

4. SEGMENT INFORMATION *(Continued)*

(a) Business segments *(Continued)*

	Construction		Timber		Corporate		Total	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**14,670**	34,975	**32,976**	32,400	**16,720**	22,619	**64,366**	89,994
Unallocated assets							**1,656**	1,420
Total assets							**66,022**	91,414
Segment liabilities	**1,822**	10,742	**1,873**	–	**1,906**	8,648	**5,601**	19,390
Total liabilities							**5,601**	19,390
Other segment information:								
Depreciation and amortisation	**44**	51	**2,498**	1,457	**2,844**	3,451	**5,386**	4,959
Unallocated amounts							**–**	610
							5,386	5,569
Bad and doubtful debt provisions	**723**	288	**–**	–	**–**	–	**723**	288
Impairment of fixed assets	**–**	–	**–**	–	**1,861**	–	**1,861**	–
Capital expenditure	**–**	–	**–**	–	**35**	65	**35**	65

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		United States of America		Total	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:								
Sales to external customers	**471**	19,918	**39,659**	3,257	**26,960**	–	**67,090**	23,175
Other revenue	**431**	302	**–**	–	**–**	–	**431**	302
	902	20,220	**39,659**	3,257	**26,960**	–	**67,521**	23,477
Other segment information:								
Segment assets	**64,366**	89,994	**–**	–	**–**	–	**64,366**	89,994
Unallocated assets							**1,656**	1,420
							66,022	91,414
Capital expenditure	**35**	65	**–**	–	**–**	–	**35**	65

5. TURNOVER AND REVENUE

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

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

	Group	
	2005	2004
	HK$'000	*HK$'000*
TURNOVER		
Trading of timber logs	**66,619**	3,257
Contract revenue	**471**	19,918
	67,090	23,175
OTHER REVENUE AND GAINS		
Gain on disposal of an associate	**–**	299
Gain on disposal of subsidiaries *(note 28(a))*	**230**	–
Unrealised gain on revaluation of short term listed investments	**64**	–
Gain on disposal of fixed assets	**137**	2
Others	**–**	1
	431	302

6. LOSS FROM OPERATING ACTIVITIES

The Group's loss from operating activities is arrived at after charging:

	Group	
	2005	2004
	HK$'000	*HK$'000*
Depreciation	**2,888**	3,502
Impairment of fixed assets*	**1,861**	–
Goodwill amortisation*	**2,498**	1,457
Auditors' remuneration	**800**	750
Staff costs (excluding directors' remuneration – note 8):		
Salaries and wages	**4,163**	2,936
Pension scheme contributions	**114**	228
	4,277	3,164
Minimum lease payments under operating leases in respect of land and buildings	**830**	750
Bad and doubtful debt provisions*	**723**	288
Exchange losses, net	**–**	52

* The impairment of fixed assets, amortisation of goodwill and bad and doubtful debt provisions are included in "Other operating expenses" on the face of the consolidated profit and loss account.

7. FINANCE COSTS

	Group	
	2005	2004
	HK$'000	*HK$'000*
Interest on a bank loan	**20**	–
Interest on hire purchase contracts	**215**	359
	235	359

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2005	2004
	HK$'000	*HK$'000*
Executive directors:		
Fees	**–**	–
Other emoluments:		
Salaries, allowances and benefits in kind	**1,788**	2,577
Pension scheme contributions	**39**	63
	1,827	2,640
Independent non-executive directors:		
Fees	**100**	40
	1,927	2,680

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

	Number of directors	
	2005	2004
Nil to HK$1,000,000	**12**	8

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

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2004: four) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining two (2004: one) non-director, highest paid employees for the year are as follows:

	Group	
	2005	2004
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**812**	416
Pension scheme contributions	**12**	12
	824	428

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

	Number of employees	
	2005	2004
Nil to HK$1,000,000	**2**	1

10. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits arising from Hong Kong during the year.

	Group	
	2005	2004
	HK$'000	*HK$'000*
Charge for the year – Hong Kong	**180**	–

10. TAX *(Continued)*

A reconciliation of the tax expense applicable to loss before tax using the statutory rates of 17.5% for the countries in which the Company, its subsidiaries and associate 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

	2005		2004	
	HK$'000	**%**	*HK$'000*	%
Loss before tax	**11,423**		14,600	
Tax at the statutory tax rate	**(1,999)**	**(17.5)**	(2,555)	(17.5)
Income not subject to tax	**(51)**	**(0.4)**	(636)	(4.3)
Expenses not deductible for tax	**622**	**5.5**	868	5.9
Tax losses not recognised as deferred tax assets	**1,608**	**14.0**	2,323	15.9
Tax charge at the Group's effective rate	**180**	**1.6**	–	–

11. NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders for the year ended 31 March 2005 dealt with in the financial statements of the Company was HK$12,697,000 (2004: HK$19,656,000) (note 27(b)).

12. 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$11,603,000 (2004: HK$14,600,000), and the weighted average of 672,000,000 (2004: 672,000,000) ordinary shares in issue during the year.

Diluted loss per share amounts for the years ended 31 March 2004 and 2005 have not been disclosed as no diluting events existed during these years.

13. 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	3,505	745	13,267	17,517
Additions	–	35	–	35
Disposal of subsidiaries	–	–	(8,167)	(8,167)
Disposals	–	–	(1,500)	(1,500)
At 31 March 2005	**3,505**	**780**	**3,600**	**7,885**
Accumulated depreciation and impairment:				
At beginning of year	1,184	419	4,772	6,375
Provided during the year	652	136	2,100	2,888
Impairment during the year recognised in the profit and loss account	1,669	192	–	1,861
Disposal of subsidiaries	–	–	(3,800)	(3,800)
Disposals	–	–	(687)	(687)
At 31 March 2005	**3,505**	**747**	**2,385**	**6,637**
Net book value:				
At 31 March 2005	**–**	**33**	**1,215**	**1,248**
At 31 March 2004	2,321	326	8,495	11,142

13. FIXED ASSETS *(Continued)*

Company

	Leasehold improvements *HK$'000*	**Furniture, fixtures and office equipment** *HK$'000*	**Motor vehicle** *HK$'000*	**Total** *HK$'000*
Cost:				
At beginning of year	3,263	433	–	3,696
Additions	–	35	855	890
At 31 March 2005	**3,263**	**468**	**855**	**4,586**
Accumulated depreciation and impairment:				
At beginning of year	942	154	–	1,096
Provided during the year	652	92	200	944
Impairment during the year recognised in the profit and loss account	1,669	192	–	1,861
At 31 March 2005	**3,263**	**438**	**200**	**3,901**
Net book value:				
At 31 March 2005	**–**	**30**	**655**	**685**
At 31 March 2004	2,321	279	–	2,600

As at 31 March 2005, the Group did not have any fixed assets held under hire purchase contract. As at 31 March 2004, 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 amounted to HK$10,000 and HK$5,794,000, respectively.

14. 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 1 April 2004 and 31 March 2005	12,491
Accumulated amortisation:	
At beginning of year	1,457
Provided during the year	2,498
At 31 March 2005	**3,955**
Net book value:	
At 31 March 2005	**8,536**
At 31 March 2004	11,034

15. INTERESTS IN SUBSIDIARIES

	Company	
	2005	2004
	HK$'000	*HK$'000*
Unlisted shares, at cost	**36,801**	36,801
Due from subsidiaries	**66,819**	46,490
Due to subsidiaries	**(43,860)**	(33,667)
	59,760	49,624
Provision for impairment	**(8,618)**	(10,400)
	51,142	39,224

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

Further particulars of the Company's subsidiaries as at 31 March 2005 are set out in note 32 to the financial statements.

16. ACCOUNTS RECEIVABLE

An aged analysis of accounts receivable as at the balance sheet date, based on invoice date, is as follows:

	Group	
	2005	2004
	HK$'000	*HK$'000*
Current – 90 days	**–**	14,772
91 – 180 days	**–**	–
181 – 365 days	**–**	–
Over 365 days	**12,071**	1,619
	12,071	16,391
Retention monies receivable	**678**	2,198
	12,749	18,589

The Group grants a credit period of seven days to the customer based upon the receipt of the settlement from main contractor. 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.

17. TRADE DEPOSITS

The balance represented trade deposits advanced to a supplier for the purchase of timber logs for trading purposes.

18. PREPAYMENTS AND OTHER RECEIVABLES

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Prepayments	**239**	–	**239**	239
Other receivables	**739**	3,988	**730**	3,550
	978	3,988	**969**	3,789

19. SHORT TERM INVESTMENTS

	Group	
	2005	2004
	HK$'000	*HK$'000*
Hong Kong listed equity investments, at market value	**5,076**	–

20. ACCOUNTS PAYABLE

An aged analysis of accounts payable as at balance sheet date, based on invoice date, is as follows:

	Group	
	2005	2004
	HK$'000	*HK$'000*
Current – 90 days	**–**	8,610
91 – 180 days	**–**	–
181 – 365 days	**–**	–
Over 365 days	**786**	846
	786	9,456
Retention monies payable	**894**	1,157
	1,680	10,613

21. DUE TO DIRECTORS

The amounts due to directors in the prior year were unsecured, interest-free and had no fixed terms of repayment.

22. INTEREST-BEARING BANK AND OTHER BORROWINGS

		Group	
		2005	2004
	Notes	***HK$'000***	*HK$'000*
Current portion of a bank loan, secured	*23*	**400**	–
Current portion of hire purchase contract payables	*24*	**–**	1,717
		400	1,717

23. INTEREST-BEARING BANK LOAN, SECURED

		Group	
		2005	2004
	Note	***HK$'000***	*HK$'000*
Bank loan repayable:			
Within one year	*22*	**400**	–
In the second year		**67**	–
		467	–
Portion classified as current liabilities *(note 22)*		**(400)**	–
Long term portion		**67**	–

The Group's bank loan is secured by the pledge of the Group's motor vehicle with a net book value of HK$560,000 as at 31 March 2005.

24. HIRE PURCHASE CONTRACT PAYABLES

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	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Amounts payable:				
Within one year	**–**	1,964	**–**	1,717
In the second year	**–**	1,952	**–**	1,801
In the third to fifth years, inclusive	**–**	1,827	**–**	1,765
Total minimum lease payments	**–**	5,743	**–**	5,283
Future finance charges	**–**	(460)		
Total net hire purchase contract payables	**–**	5,283		
Portion classified as current liabilities *(note 22)*	**–**	(1,717)		
Long term portion of hire purchase contract payables	**–**	3,566		

25. 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$11,997,000 (2004: HK$3,157,000) 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.

26. SHARE CAPITAL

(a) Shares

	Company	
	2005	2004
	HK$'000	*HK$'000*
Authorised:		
1,000,000,000 ordinary shares of HK$0.1 each	**100,000**	100,000
Issued and fully paid:		
672,000,000 ordinary shares of HK$0.1 each	**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.

26. 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.

26. 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.

27. 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 22 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.

27. RESERVES *(Continued)*

(b) Company

	Contributed surplus *HK$'000*	Retained profits/ (accumulated losses) *HK$'000*	Total *HK$'000*
At 1 April 2003	20,607	2,313	22,920
Net loss for the year	–	(19,656)	(19,656)
At 31 March 2004 and 1 April 2004	20,607	(17,343)	3,264
Net loss for the year	–	(12,697)	(12,697)
At 31 March 2005	20,607	(30,040)	(9,433)

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.

28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Disposal of subsidiaries

	Note	2005 HK$'000	2004 HK$'000
Net assets disposed of:			
Fixed assets		**4,367**	–
Hire purchase contract payables		**(3,867)**	–
		500	–
Gain on disposal of subsidiaries	*5*	**230**	–
		730	–
Satisfied by:			
Other receivables*		**730**	–

* The consideration for the disposal of subsidiaries was fully received by the Group subsequent to the year end.

The subsidiaries disposed of during the year had no contribution to the Group's turnover and contributed HK$1,657,000 (2004: HK$2,777,000) to the consolidated loss after tax for the year ended 31 March 2005.

(b) Acquisition of subsidiaries

	2005 HK$'000	2004 HK$'000
Net assets acquired:		
Prepayments and other receivables	**–**	9
Goodwill on acquisition	**–**	12,491
	–	12,500
Satisfied by:		
Cash	**–**	12,500

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

(b) Acquisition of subsidiaries *(Continued)*

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

	2005	2004
	HK$'000	*HK$'000*
Cash consideration	–	(12,500)
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	–	(12,500)

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

In 2004, 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 that year.

(c) In the year ended 31 March 2004, the Group acquired an associate for a cash consideration of HK$11,000,000. The associate was subsequently disposed by the Group in the same year by way of exercising a put option to the original shareholder for the same amount in that year.

29. 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	
	2005	2004
	HK$'000	*HK$'000*
Within one year	**399**	958
In the second to fifth years, inclusive	–	399
	399	1,357

30. COMMITMENTS

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

31. CONTINGENT LIABILITIES

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

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Guarantees given to banks in connection with:				
Hire purchase contracts granted to certain subsidiaries disposed of during the year *(note)*	**3,440**	–	**3,440**	–
Hire purchase contracts and a bank loan granted to certain subsidiaries	**–**	–	**495**	5,230
	3,440	–	**3,935**	5,230

Note: During the year, the Group disposed of certain of its subsidiaries (the "Disposed Subsidiaries"), details of which are set out in note 28(a) to the financial statements. As at 31 March 2005, the Company was still the guarantor in respect of the hire purchase contracts of the Disposed Subsidiaries.

Pursuant to the agreement dated 21 March 2005 and 8 November 2004, the buyer of the Disposed Subsidiaries agreed to provide counter indemnities to the Company for its corporate guarantees provided to the Disposed Subsidiaries.

32. PARTICULARS OF THE SUBSIDIARIES

Particulars of the 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	Indirect	Principal activities
MFT Epping Trading Limited	British Virgin Islands/ The Republic of Congo	US$1 Ordinary	–	100	Trading of timber logs
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
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
Maxgold Far East Limited*	British Virgin Islands/ Hong Kong	US$1 Ordinary	100	–	Investment holding

* Newly acquired during the year.

33. POST BALANCE SHEET EVENTS

On 22 July 2005, the Group entered into a provisional agreement with an independent third party to acquire a parcel of land situated in Hong Kong for a cash consideration of HK$10,000,000. This transaction is expected to be completed on 30 September 2005.

34. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 27 July 2005.