Notes to Financial Statements

31 March 2006

1. GENERAL INFORMATION

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited.

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.

The Group was principally engaged in the trading of logs. In prior years, 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs"), and interpretation ("Ints") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The measurement basis used in the preparation of the financial statement is historical cost as modified for the revaluation of the investment property and financial assets at fair value through profit or loss.

The Group's books and records are maintained in Hong Kong Dollar ("HK$"), the currency in which the majority of the Group's transactions is denominated.

The preparation of the financial statements requires management to exercise its judgement in the process of applying the Company's accounting polices. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of preparation (Continued)

The Adoption of new/revised HKFRSs

During the year ended 31 March 2006, the Group adopted the new/revised standards and interpretations of HKFRSs below, which are relevant to its operations. The 2005 comparative figures have been restated as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HKFRS 2	Share-based Payments
HKFRS 3	Business Combinations
HKAS-Int 21	Income Taxes – Recovery of Revalued Non-depreciable Assets

The adoption of new/revised HKASs 1,7, 8, 10, 12, 14, 16, 17, 18, 19, 21, 23, 24, 27, 33 and 37 did not result in substantial changes to the Group's accounting policies. In summary:

– HKAS 1 has affected the presentation of minority interest, share of net after-tax results of associates and other disclosures.

– HKASs 7, 8, 10, 12, 14, 16, 18, 19, 23, 27, 33 and 37 had no material effect on the Group's policies.

– HKAS 17 has affected on the classification of leasehold land and land use rights from property, plant and equipment to operating leases. The up-front payments made for the leasehold land and land use rights are expensed in the income statement on a straight-line basis over the period of the lease or when there is impairment, the impairment is expensed in the income statement. In prior years, the leasehold land was accounted for at fair value or cost less accumulated depreciation and accumulated impairment.

– HKAS 21 had no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard. All the Group entities have the same functional currency as the presentation currency for respective entity financial statements.

– HKAS 24 has affected the identification of related parties and some other related-party disclosures.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of preparation (Continued)

The Adoption of new/revised HKFRSs (Continued)

The adoption of HKASs 32 and 39 has resulted in a change in the accounting policy relating to the classification of financial assets at fair value through profit or loss and available-for-sale financial assets. It has also resulted in the recognition of derivative financial instruments at fair value and the change in the recognition and measurement of hedging activities.

The adoption of revised HKAS 40 has resulted in a change in the accounting policy of which the changes in fair values are recorded in the income statement as part of other income. In prior years, the increases in fair value were credited to the investment properties revaluation reserve. Decreases in fair value were first set off against increases on earlier valuations on a portfolio basis and thereafter expensed in the income statement.

The adoption of revised HKAS-Int 21 has resulted in a change in the accounting policy relating to the measurement of deferred tax liabilities arising from the revaluation of an asset. Such deferred tax liabilities are measured on the basis of tax consequences that would follow from recovery of the carrying amount of that asset through use. In prior year, the carrying amount of that asset was expected to be recovered through sale.

The adoption of revised HKFRS 2 has resulted in a change in the accounting policy for share-based payments. Until 31 March 2005, the provision of share options to employees did not result in an expense in the income statement. Effective from 1 April 2005, HKFRS 2 required the change in fair value of share options granted must be recognised in the income statement. During the year ended 31 March 2006, no share option had been granted to any person.

The adoption of HKFRS 3, HKAS 36 and HKAS 38 results in a change in the accounting policy for goodwill. Until 31 March 2005, goodwill was:

– Amortised on a straight line basis over its estimated useful life of not exceeding 20 years; and

– Assessed for an indication of impairment at each balance sheet date.

In accordance with the provisions of HKFRS 3:

– The Group ceased amortisation of goodwill from 1 April 2005;

– Accumulated amortisation as at 31 March 2005 has been eliminated with a corresponding decrease in the cost of goodwill; and

– From the year ended 31 March 2006 onwards, goodwill will be tested annually for impairment, as well as when there is indication of impairment.

The Group has reassessed the useful lives of its intangible assets in accordance with the provisions of HKAS 38. No adjustment resulted from this reassessment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of preparation (Continued)

The Adoption of new/revised HKFRSs (Continued)

All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards, wherever applicable. All standards adopted by the Group require retrospective application other than:

– HKAS 16 – the initial measurement of an item of property, plant and equipment acquired in an exchange of assets transaction is accounted at fair value prospectively only to future transactions;

– HKAS 21 – prospective accounting for goodwill and fair value adjustments as part of foreign operations;

– HKAS 39 – does not permit to recognise, derecognise and measure financial assets and liabilities in accordance with this standard on a retrospective basis. The Group applied the previous SSAP 24 "Accounting for investments in securities" to investments in securities and also to hedge relationships for the 2005 comparative information. The adjustments required for the accounting differences between SSAP 24 and HKAS 39 are determined and recognised at 1 April 2005.

– HKFRS 3 – prospectively after 1 April 2005.

The adoption of HKFRS 3 resulted in:

	2006 ***HK$'000***	2005 *HK$'000*
Goodwill, at cost	**(3,955)**	–
Accumulated amortisation	**3,955**	–
	–	–

The adoption of HKAS 39 resulted in:

	2006 ***HK$'000***	2005 *HK$'000*
Increase in financial assets at fair value through profit or loss	**4,953**	5,076
Decrease in short term investments	**(4,953)**	(5,076)
	–	–

The adoption of HKFRS 3 and HKAS 39 has no impact on opening retained earnings at 1 April 2005.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of preparation (Continued)

The Adoption of new/revised HKFRSs (Continued)

No early adoption of the following new Standards or Interpretations that have been issued but are not yet effective. Unless otherwise stated, these HKFRSs are effective for annual periods beginning on or after 1 January 2006:

HKAS 1 (Amendment)	Capital Disclosures
HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transaction
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 & HKFRS 4 (Amendments)	Financial Guarantee Contracts
HKFRS 7	Financial Instruments: Disclosure
HKFRS-Int 4	Determining whether an Arrangement contain a Lease

The HKAS 1 Amendment shall be applied for annual periods beginning on or after 1 April 2007. The revised standard will affect the disclosure about qualitative information about the Group's objective, policies and processes for managing capital; quantitative data about what company regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

HKFRS 7 will replace HKAS 32 and has modified the disclosure requirements of HKAS 32 relating to financial instruments. This HKFRS shall be applied for annual period beginning on or after 1 April 2007.

Except as stated above, the Group expects that the adoption of the other pronouncements listed above will not have any significant impact on the Group's financial statements in the period of initial application.

A summary of significant accounting policies followed by the Group and the Company in the preparation of the financial statements is set out below:

(a) Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 March 2006.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effect date of disposal, as appropriate.

(b) Subsidiaries

Subsidiaries are all entities over which the Company, directly or indirectly controls the composition of the board of directors and has the power to govern the financial and operating policies generally accompanying a shareholding of more than half of the voting rights. The existence and effect of potential voting rights that currently exercisable or convertible are considered when assessing whether the Company controls another entity.

Investments in subsidiaries are stated in the financial statements of the Company at cost less provision for impairment loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet the investments in associated companies are stated at cost less provision for impairment losses. The results of associated companies are accounted for by the Company on the basis of dividend received and receivable.

(d) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the net identifiable assets of the acquired subsidiary/associate/jointly controlled entity at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gain and losses on the disposal of an entity include the carrying of goodwill relating the entity sold. Goodwill is allocated to cash generating units for the purpose of impairment testing.

(e) Impairment of assets

Assets that have an indefinite life are not subject to amortisation, which are at least tested for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

(f) Investment property

Investment property is property which is owned or held under a leasehold interest to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Investment property (Continued)

Investment property comprises of land held under operating leases. Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it was a finance lease.

Investment property is measured initially at cost, including related transaction costs. Subsequent to the initial recognition, investment property is stated in the balance sheet at fair value. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss.

(g) Property, plant and equipment

Property, plant and equipment 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 property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement 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 property, plant and equipment, 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 property, plant and equipment recognised in the income statement is the difference between the net sales proceeds and the carrying amount of the relevant asset.

(h) 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 property, plant and equipment 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 income statement 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 income statement on the straight-line basis over the lease terms.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) 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.

(j) Investments

Before adoption of the new HKFRSs, the Group has short term investments classified as trading securities.

Trading securities

Trading securities were carried at fair value. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair value of trading securities were recognised in the income statement. Profits or losses on disposal of trading securities, representing the difference between the net sales proceeds and the carrying amounts, were recognised in the income statement as the arised.

From 1 April 2005 onward, the Group classifies its investment in the following categories depends on the purpose of such investment were acquired. Management determines the classification of its investments at initial recognition and revaluate this designation at every reporting date.

(1) *Financial assets at fair value through profit or loss*

A financial asset is classified in this category if acquired principally for the purposed of selling in the short term or if so designated by management. Assets in this category are classified as current assets if they are either held for trading or are expected to be realized within 12 months of the balance sheet date.

(2) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading or are expected for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loan and receivables included loan receivables, convertible notes receivables and accounts receivable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Investments (Continued)

(3) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. During the year, the Group did not hold any investments in the category.

(4) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred substantially all risk and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivable and held-to-maturity investments are carried at amortised cost using effective interest methods. Realised and unrealized gains and losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are included in the income statement in the period in which they arise. Unrealised gains period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains or losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect issuer's specific circumstances.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the securities is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise of 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 of cash on hand and at banks, including term deposits, which are not restricted as to use.

(l) Accounts and other receivables

Accounts and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of accounts and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivable. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

(m) 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 income statement.

(n) Income tax

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

The tax currently payable is based on taxable profit for the year. Taxable profit is the profit for the year, determined in accordance with the rules established by the taxation authorities, upon which income taxes are payable.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount 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 recognised to the extent that it is probable that taxable profits will be available against which deductible temporary difference can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Income tax (Continued)

Deferred tax liabilities are recognised for taxable temporary differences arising on investment in subsidiaries and associates, 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.

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 is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(o) 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 risk 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 is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised either as cash is collected or on a cost-recovery basis as conditions warrant.

(p) Foreign currency transactions

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency"). The consolidated financial statements are presented in HK dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the fixed exchange rate. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Translation differences on non-monetary items, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation difference on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) 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 income statement 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 income statement 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.

(r) Related parties transactions

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly-controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is related party of the Group.

A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expense it to a variety of financial risks: market risk (including currency risk and price risk), credit risk, liquidity risk and cash flow interest-rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risks

(i) Foreign exchange risk

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Hong Kong dollar. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

(ii) Price risk

The Group is exposed to equity securities price risk because investments held by the Group are classified on the consolidated balance sheet as financial assets at fair value though profit or loss. The Group is not exposed to commodity price risk.

(b) Credit risk

The Group has no significant concentrations of credit risk. Sales to retail customers are made in cash or via major credit cards.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

(d) Interest rate risk

The Group has significant interest-bearing assets mainly in the form of cash and cash equivalents. As a result, the Group is exposed to changes in market interest rates.

3.2 Fair value estimation

The carrying amounts of the following other investments/financial assets and liabilities approximate their fair value: cash and cash equivalents, pledged bank deposits, accounts and other receivables less credit adjustments, deposits and prepayments, amounts due from/to related parties and a director, accounts and other payables, deposits received and accrued expenses.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with accounting policies. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations using cash flow projections based on financial budgets approved by senior management.

5. 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 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.

5. 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	
	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000
Segment revenue:								
Sales to external customers	106	471	10,539	66,619	-	–	10,645	67,090
Other revenue	-	–	-	–	72	–	72	–
Other income	-	–	-	–	255	431	255	431
Total	106	471	10,539	66,619	327	431	10,972	67,521
Segment results	304	(1,845)	(79)	(1,088)	(6,573)	(8,255)	(6,348)	(11,188)
Impairment loss recognised in respect of goodwill	-	–	(8,536)	–	-	–	(8,536)	–
Impairment loss recognised in respect of investment property	-	–	-	–	(395)	–	(395)	–
Finance cost	-	–	-	–	(28)	(235)	(28)	(235)
Loss before tax							(15,307)	(11,423)
Taxation							-	(180)
Net loss attributable to equity holders of the Company							(15,307)	(11,603)
Segment assets and liabilities								
Segment assets	10	14,670	-	32,976	45,656	16,720	45,666	64,366
Unallocated assets							1,656	1,656
Total assets							47,322	66,022
Segment liabilities	1,028	1,822	-	1,873	1,180	1,906	2,208	5,601
Unallocated liabilities							-	–
Total liabilities							2,208	5,601

5. SEGMENT INFORMATION (Continued)

(a) Business segments

	Construction		Timber		Corporate		Total	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Other information:								
(Write-back of provision)/ provision for impairment loss on accounts receivable	**(200)**	723	**-**	–	**-**	–	**(200)**	723
Impairment loss on property, plant and equipment	**-**	–	**-**	–	**-**	1,861	**-**	1,861
Capital expenditure	**-**	–	**-**	–	**10,595**	35	**10,595**	35

(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	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:								
Sales to external customers	**106**	471	**-**	39,659	**10,539**	26,960	**10,645**	67,090
Other revenue	**72**	431	**-**	–	**-**	–	**72**	431
Other income	**255**	–	**-**	–	**-**	–	**255**	–
	433	902	**-**	39,659	**10,539**	26,960	**10,972**	67,521
Other segment information:								
Segment assets	**45,666**	64,366	**-**	–	**-**	–	**45,666**	64,366
Unallocated assets							**1,656**	1,656
							47,322	66,022
Capital expenditure	**10,595**	35	**-**	–	**-**		**10,595**	35

6. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold improvements HK$'000	Furniture, Fixtures and office equipment HK$'000	Motor vehicles and pleasure craft HK$'000	Total HK$'000
Cost:				
At 1 April 2004	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 and at 31 March 2006	**3,505**	**780**	**3,600**	**7,885**
Accumulated depreciation and impairment:				
At 1 April 2004	1,184	419	4,772	6,375
Charged for the year	652	136	2,100	2,888
Impairment loss recognised in respect of property, plant and equipment	1,669	192	–	1,861
Disposal of subsidiaries	–	–	(3,800)	(3,800)
Disposals	–	–	(687)	(687)
At 31 March 2005 and at 1 April 2005	3,505	747	2,385	6,637
Charged for the year	–	9	720	729
At 31 March 2006	**3,505**	**756**	**3,105**	**7,366**
Net book value:				
At 31 March 2006	**–**	**24**	**495**	**519**
At 31 March 2005	–	33	1,215	1,248

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company

	Leasehold improvements HK$'000	Furniture, Fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost:				
At 1 April 2004	3,263	433	–	3,696
Additions	–	35	855	890
At 31 March 2005 and at 31 March 2006	**3,263**	**468**	**855**	**4,586**
Accumulated depreciation and impairment:				
At 1 April 2004	942	154	–	1,096
Charged for the year	652	92	200	944
Impairment loss recognised in respect of property, plant and equipment	1,669	192	–	1,861
At 31 March 2005 and at 1 April 2005	3,263	438	200	3,901
Charged for the year	–	7	400	407
At 31 March 2006	**3,263**	**445**	**600**	**4,308**
Net book value:				
At 31 March 2006	**–**	**23**	**255**	**278**
At 31 March 2005	–	30	655	685

7. INVESTMENT PROPERTY

	2006 HK$'000	2005 HK$'000
At 1 April	–	–
Additions during the year	10,595	–
Fair value losses on investment property	(395)	–
At 31 March	**10,200**	–

The investment property was revalued at 31 March 2006 by independent, professionally qualified valuers, Grant Sherman Appraisal Limited, on an open market basis.

The Group's interests in investment property at their net book values are analysed as follows:

	2006 HK$'000	2005 HK$'000
In Hong Kong, held on:		
Lease of over 50 years	10,200	–

8. GOODWILL

	HK$'000
Cost	
At 1 April 2004 and at 31 March 2005	12,491
Elimination of goodwill on adoption of HKFRS 3	(3,955)
At 31 March 2006	**8,536**
Amortisation and impairment	
At 1 April 2004	1,457
Amortised for the year	2,498
At 31 March 2005 and at 1 April 2005	3,955
Elimination of goodwill on adoption of HKFRS 3	(3,955)
Impairment loss recognised	8,536
At 31 March 2006	**8,536**
Carrying amounts	
At 31 March 2006	**–**
At 31 March 2005	8,536

8. GOODWILL (Continued)

(a) In prior years, the amortisation period adopted for goodwill is not exceeding 20 years. Following the adoption of HKFRS 3, amortisation of goodwill has ceased since 1 April 2005. The accumulated amortisation of goodwill would be offset against the cost. Annual impairment review was performed.

(b) Goodwill is allocated to the Group's cash-generating unit (CGU) identified according to the business segment. The recoverable amount of CGU is determined based on the value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by the management covering a five-year period. Cash flow beyond five-year period is extrapolated using the estimated rate stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

Key assumptions used for value-in-use calculation:

	2006 %	2005 %
Gross margin	9.4	–
Growth rate	–	–
Discount rate	7.75	–

Management determined the budget gross margin based on past performance and its expectations for the market development. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

Due to the continuous losses incurred by MFT Epping Limited, the directors reassessed the recoverable amount of the goodwill and made impairment loss on goodwill of approximately HK$8,536,000.

9. INTERESTS IN SUBSIDIARIES

	Company	
	2006 HK$'000	2005 (Restated) HK$'000
Investment cost	**36,801**	36,801
Less: Provision for impairment loss	**(8,618)**	(8,618)
	28,183	28,183
Amounts due from subsidiaries	**78,304**	66,819
Less: Provision for impairment loss	**(18,300)**	–
	88,187	95,002

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

9. INTERESTS IN SUBSIDIARIES (Continued)

The directors of the Group had reviewed the net asset values of the Company's subsidiaries for the year ended 31 March 2006 and considered provision for impairment in values be made in respect of the investment cost and amount due by subsidiaries to their net recoverable values.

Further particulars of the Company's subsidiaries as at 31 March 2006 are set out in note 33 to the financial statements.

10. ACCOUNTS RECEIVABLE

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

	Group	
	2006	2005
	HK$'000	*HK$'000*
Current – 90 days	**–**	–
91 – 180 days	**–**	–
181 – 365 days	**–**	–
Over 365 days	**–**	12,071
	–	12,071
Retention monies receivable	**–**	678
	–	12,749

The Group granted 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 were usually six months to one year after the issue of the statements of the final accounts of the contract works.

The carrying amount of accounts receivable approximate their fair value.

11. TRADE DEPOSITS

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

12. PREPAYMENTS AND OTHER RECEIVABLES

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Prepayments	**–**	239	**–**	239
Other receivables	**9**	739	**–**	730
	9	978	**–**	969

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2006	2005
		(Restated)
	HK$'000	*HK$'000*
Held for trading		
Equity securities, at fair value		
– Listed in Hong Kong	**4,953**	5,076

14. SHARE CAPITAL

(a) Shares

	Company	
	2006	2005
	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.

14. 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 an 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 sated 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.

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.

14. SHARE CAPITAL (Continued)

(b) Share option scheme (Continued)

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 income statement 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.

15. 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 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.

(b) Company

	Contributed surplus *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 April 2004	20,607	(17,343)	3,264
Net loss for the year	–	(12,697)	(12,697)
At 31 March 2005 and at 1 April 2005	20,607	(30,040)	(9,433)
Net loss for the year	–	(24,140)	(24,140)
At 31 March 2006	**20,607**	**(54,180)**	**(33,573)**

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.

At 31 March 2006, the Company had no reserves available for distribution.

16. INTEREST-BEARING BANK LOAN, SECURED

		Group	
	Note	**2006** **HK$'000**	2005 HK$'000
Bank loan repayable:			
Within one year	18	–	400
In the second year		–	67
		–	467
Portion classified as current liabilities		–	(400)
Long term portion		–	67

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

17. ACCOUNTS PAYABLE

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

	Group	
	2006 **HK$'000**	2005 HK$'000
Current – 90 days	–	–
91 – 180 days	–	–
181 – 365 days	–	–
Over 365 days	**69**	786
	69	786
Retention monies payable	**824**	894
	893	1,680

The carrying amount of accounts payable approximate their fair value.

18. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Note	Group 2006 HK$'000	2005 HK$'000
Current portion of a bank loan, secured	16	–	400
Current portion of finance lease contract payables	16	–	–
		–	400

19. 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$2,737,804 (2005: HK$11,997,000) 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.

20. 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 other income is as follows:

	Group 2006 HK$'000	2005 (Restated) HK$'000
Turnover		
Trading of timber logs	**10,539**	66,619
Contract revenue	**106**	471
	10,645	67,090
Other revenue		
Interest income	**59**	–
Dividend income	**13**	–
	72	–
Other income		
Gain on disposal of subsidiaries	–	230
Gain on disposal of property, plant and equipment	–	137
Realised fair value gain on financial assets through profit or loss	**255**	–
Unrealised fair value gain on financial assets through profit or loss	–	64
	255	431

21. LOSS FROM OPERATING ACTIVITIES

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

	Group	
	2006	2005 (Restated)
	HK$'000	HK$'000
Depreciation	729	2,888
Impairment loss recognised in respect of goodwill	8.536	–
Impairment loss recognised in respect of investment property	395	–
Impairment of property, plant and equipment*	–	1,861
Goodwill amortisation*	–	2,498
Auditors' remuneration	580	800
Staff cost (excluding directors' remuneration – note 23):		
Salaries and wages	1,697	4,163
Pension scheme contributions	31	114
	1,728	4,277
Unrealised fair value loss on financial assets through profit or loss	714	–
Minimum lease payments under operating leases in respect of rented premises	495	830
(Write-back of provision)/provision for impairment loss on accounts receivable*	(200)	723

* *The impairment of property, plant and equipment, goodwill amortisation and write-back of provision/provision for impairment loss on accounts receivable are included in "Other operating expenses" on the face of the consolidated income statement.*

22. FINANCE COSTS

	Group	
	2006	2005
	HK$'000	HK$'000
Interest on a bank loan wholly repayable within five years	28	20
Interest on obligations under finance leases	–	215
	28	235

23. DIRECTORS' REMUNERATION

The board of directors of the Company is currently composed of 4 executive directors and three independent non-executive directors. 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:

Name of director	Fee		Salaries and bonuses		Mandatory provident fund		Total	
	2006 HK$'000	*2005 HK$'000*	**2006 HK$'000**	*2005 HK$'000*	**2006 HK$'000**	*2005 HK$'000*	**2006 HK$'000**	*2005 HK$'000*
Executive director								
Mr. Lum Chor Wah, Richard	**-**	–	**650**	407	**12**	7	**662**	414
Mr. Pun Yuen Sang	**-**	–	**500**	500	**12**	12	**512**	512
Mr. Tang Hin Keung, Alfred	**-**	–	**500**	500	**12**	12	**512**	512
Mr. Yeung Tony Ming Kwong	**-**	–	**160**	–	**4**	–	**164**	–
Mr. Chu Chi Ming	**-**	–	**-**	108	**-**	3	**-**	111
Mr. Mak Kui Yuen	**-**	–	**-**	109	**-**	3	**-**	112
Ms. Ip Siu Fung	**-**	–	**-**	75	**-**	2	**-**	77
Ms. Lee Lim	**-**	–	**-**	89	**-**	–	**-**	89
Independent non-executive director								
Mr. Leung Chi Hung	**50**	50	**-**	–	**-**	–	**50**	50
Mr. Tsui Robert Che Kwong	**50**	25	**-**	–	**-**	–	**50**	25
Mr. Lam Allan Shu Cheuk	**50**	25	**-**	–	**-**	–	**50**	25
	150	100	**1,810**	1,788	**40**	39	**2,000**	1,927

24. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2005: three) directors, details of whose remuneration are set out in note 23 above. Details of the remuneration of the remaining two (2005: two) non-directors, highest paid employees for the year are as follows:

	Group	
	2006 HK$'000	*2005 HK$'000*
Salaries, allowances and benefits in kind	**954**	812
Pension scheme contributions	**12**	12
	966	824

24. FIVE HIGHEST PAID EMPLOYEES (Continued)

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

	Number of directors	
	2006	2005
Nil to HK$1,000,000	**2**	2

25. TAXATION

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits arising from Hong Kong during the year.

	Group	
	2006	2005
	HK$'000	*HK$'000*
Charge for the year – Hong Kong	**–**	180

A reconciliation of the tax expenses 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:

	2006		2005	
	HK$'000		*HK$'000*	
Loss before tax	**15,307**	**%**	11,423	%
Tax at the statutory tax rate	**(2,679)**	**(17.5)**	(1,999)	(17.5)
Income not subject to tax	**(62)**	**(0.4)**	(51)	(0.4)
Expenses not deductible for tax	**1,626**	**10.6**	622	5.5
Tax losses not recognised as deferred tax assets	**1,115**	**7.3**	1,608	14.0
Tax charge at the Group's effective rate	**–**	**–**	180	1.6

26. NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders for the year ended 31 March 2006 dealt with in the financial statements of the Company was HK$24,140,000 (2005: HK$12,697,000).

27. 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$15,307,000 (2005: HK$11,603,000), and the ordinary shares in issue of 672,000,000 (2005: weighted average of 672,000,000 ordinary shares in issue).

Diluted loss per share amounts for the years ended 31 March 2005 and 2006 have not been disclosed as no diluting events existed during these years.

28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Disposal of subsidiaries

	Note	2006 HK$'000	2005 HK$'000
Net assets disposed of:			
Property, plant and equipment		-	4,367
Finance lease payables		-	(3,867)
		-	500
Gain on disposal of subsidiaries	20	-	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 during the year ended 31 March 2005 had no contribution to the Group's turnover and contributed HK$1,657,000 to the consolidated loss after tax.

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	
	2006 HK$'000	2005 HK$'000
Within one year	-	399

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	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Guarantees given to bank in connection with:				
Finance lease granted to certain subsidiaries disposed in previous years *(note)*	**1,633**	3,440	**1,633**	3,440
Finance lease contracts and a bank loan granted to certain subsidiaries	**–**	–	**–**	495
	1,633	3,440	**1,633**	3,935

Note: During the year ended 31 March 2005, the Group disposed of certain of its subsidiaries (the "Disposed Subsidiaries"), details of which are set out in note 28 to the financial statements. As at 31 March 2006, the Company was still the guarantor in respect of the finance lease 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. MATERIAL RELATED PARTY TRANSACTIONS

Remuneration for key personnel management, including amount paid to the Company's directors and certain of the highest paid employee, as disclosed in notes 23 and 24 to the financial statements, is as follows:

	2006	2005
	HK$'000	*HK$'000*
Salaries and allowance	**1,810**	1,788
Pension scheme contributions	**40**	39
	1,850	1,827

33. 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 attributable to equity interest 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
Triumph Bright International Limited*	Hong Kong	HK$2 Ordinary	100	–	Investment holding
Team Jade Enterprises Limited*	British Virgin Islands	US$1 Ordinary	100	–	Investment holding

* *Newly incorporated during the year.*

Notes to Financial Statement (Continued)

31 March 2006

34. SUBSEQUENT EVENTS

On 30 March 2006, Team Jade Enterprises Limited ("Team Jade"), a wholly owned subsidiary of the Company entered into an acquisition agreement to acquire from Rich Game Capital Inc. ("Rich Game"), the entire share capital of Youngrich Limited for a total consideration of HK$539,000,000. The consideration for the acquisition shall be satisfied by Team Jade paying a refundable deposit of HK$160,000,000 to Rich Game; procuring the Company to issue convertible bond in a principal amount of HK$134,400,000 to Rich Game and procuring the Company to issue a promissory note in a principal amount of HK$244,600,000 to Rich Game. Please refer to details in the announcement dated 6 April 2006.

35. COMPARATIVE FIGURES

As further explained in note 2 to the financial statements, due to the adoption of the new HKFRSs during the current year, the accounting treatment and preparation of certain items and balances in the financial statements have been made to comply with the new requirements. Accordingly, certain comparative figures have been reclassified, and restated to confirm with current year's presentation.

36. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 20 July 2006.