1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its holding company is Kompass International Limited, a company incorporated in the British Virgin Islands. The address of the registered office and principal place of business of the Company are disclosed in "Corporate Information" section of the annual report.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

The principal activities of the Group are decoration contractor and trading of building supplies, management and consultancy services and investment holding.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

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

Business combinations

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

Goodwill

In previous years, goodwill arising on acquisitions prior to 1 April 2001 was held in reserves. The Group has applied the relevant transitional provisions in HKFRS 3. Goodwill previously recognised in reserves of HK$26,510,324 has been transferred to the Group's deficit on 1 April 2005.

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

In accordance with HKFRS 3, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition ("discount on acquisition") is recognised immediately in profit or loss in the period in which the acquisition takes place. In previous periods, negative goodwill arising on acquisitions prior to 1 April 2001 was held in reserves. In accordance with the relevant transitional provisions in HKFRS 3, the Group derecognised all negative goodwill of HK$1,428,282 which was previously recorded in reserves on 1 April 2005.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

Financial instruments

In the current year, the Group has applied HKAS 32 "Financial instruments: Disclosure and Presentation" and HKAS 39 "Financial instruments: Recognition and Measurement". HKAS 32 requires retrospective application. The application of HKAS 32 has had no material impact on how financial instruments of the Group are presented. HKAS 39, which is effective for accounting periods beginning on or after 1 January 2005, generally does not permit recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation HKAS 39 are summarised below:

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

Prior to 31 March 2005, the Group classified and measured its investments in equity securities in accordance with the alternative treatment of Statement of Standard Accounting Practice 24 (SSAP 24). Under SSAP 24, investments in equity securities are classified as "trading securities", "non-trading securities" or "held-to-maturity investments" as appropriate. Both "trading securities" and "non-trading securities" are measured at fair value. Unrealised gains or losses of "trading securities" are reported in profit or loss for the year in which gains or losses arise. Unrealised gains or losses of "non-trading securities" are reported in equity until the securities are sold or determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for that year. From 1 April 2005 onwards, the Group has classified and measured its investments in equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables", or "held-to-maturity financial assets". "Financial assets at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. Available-for-sale equity investments that do not have quoted market prices in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost less impairment after initial recognition. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method after initial recognition.

On 1 April 2005, the Group classified and measured its equity securities in accordance with the transitional provisions of HKAS 39. Trading securities and other securities reported under SSAP 24 were classified as "financial assets at fair value through profit or loss" and "available-for-sale financial assets" respectively upon the adoption of the HKAS 39. Accordingly, no adjustment to deficit at 1 April 2005 was required.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

Financial instruments (Continued)

Financial assets and financial liabilities other than debt and equity securities

From 1 April 2005 onwards, the Group classifies and measures its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. As mentioned above, financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "financial liabilities other than financial liabilities at fair value through profit or loss (other financial liabilities)". "Other financial liabilities" are carried at amortised cost using the effective interest method.

Prior to the application of HKAS 39, an interest-free non-current other receivable ("other receivable") was stated at the nominal amount. HKAS 39 requires all financial assets and financial liabilities to be measured at fair value on initial recognition. Such other receivable is measured at amortised cost determined using the effective interest method at subsequent balance sheet dates. The Group has applied the relevant transitional provisions in HKAS 39. As a result of this change in the accounting policy, the carrying amount of the other receivable as at 1 April 2005 has been decreased by HK$474,400 in order to state the other receivable at amortised cost in accordance with HKAS 39. Loss for the year of the Group has been decreased by HK$48,369 due to the recognition of imputed interest income which is included in other income (see note 2A for the financial impact).

2A. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The cumulative effects of the application of the new HKFRSs as at 31 March 2005 and 1 April 2005 are summarised below:

	As at 31 March 2005 (originally stated)	HKAS 1 Adjustments	As at 31 March 2005 (restated)	HKAS 39 Adjustments	HKFRS 3 Adjustments	As at 1 April 2005 (restated)
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Balance sheet items						
Investments in securities	19,628,000	–	19,628,000	(19,628,000)	–	–
Available-for-sale investments	–	–	–	19,364,000	–	19,364,000
Investments held for trading	–	–	–	264,000	–	264,000
Other receivable	1,500,000	–	1,500,000	(474,400)	–	1,025,600
Other assets and liabilities	114,218,580	–	114,218,580	–	–	114,218,580
Total effects on assets and liabilities	135,346,580	–	135,346,580	(474,400)	–	134,872,180
Share capital	53,535,926	–	53,535,926	–	–	53,535,926
Other reserves	414,629,823	–	414,629,823	–	–	414,629,823
Reserve/(Goodwill) on consolidation	(25,082,042)	–	(25,082,042)	–	25,082,042	–
Deficit	(309,405,228)	–	(309,405,228)	(474,400)	(25,082,042)	(334,961,670)
Minority interests	–	1,668,101	1,668,101	–	–	1,668,101
Total effects on equity	133,678,479	1,668,101	135,346,580	(474,400)	–	134,872,180
Minority interests	1,668,101	(1,668,101)	–	–	–	–
	135,346,580	–	135,346,580	(474,400)	–	134,872,180

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

	2006	2005
	HK$	*HK$*
Imputed interest income on non-current interest-free receivable	**48,369**	–

2A. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES (Continued)

The Group has not early applied the following new standards, amendments and interpretations that have been issued but are not yet effective as at 31 March 2006. The directors of the Company anticipate that the application of these new standards, amendments and interpretations will have no material impact on the financial statements of the Group.

HKAS 1 (Amendment)	Capital disclosure[1]
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures[2]
HKAS 21 (Amendment)	Net investment in a foreign operation[2]
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions[3]
HKAS 39 (Amendment)	The fair value option[2]
HKAS 39 and HKFRS 4 (Amendments)	Financial guarantee contracts[2]
HKFRS 6	Exploration for and evaluation of mineral resources[2]
HKFRS 7	Financial instruments: Disclosures[1]
HK(IFRIC) – INT 4	Determining whether an arrangement contains a lease[2]
HK(IFRIC) – INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds[2]
HK(IFRIC) – INT 6	Liabilities arising from participating in a specific market – waste electrical and electronic equipment[3]
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[4]
HK(IFRIC) – INT 8	Scope of HKFRS 2[5]
HK(IFRIC) – INT 9	Reassessment of embedded derivatives[6]

[1] Effective for accounting periods beginning on or after 1 January 2007.
[2] Effective for accounting periods beginning on or after 1 January 2006.
[3] Effective for accounting periods beginning on or after 1 December 2005.
[4] Effective for accounting periods beginning on or after 1 March 2006.
[5] Effective for accounting periods beginning on or after 1 May 2006.
[6] Effective for accounting periods beginning on or after 1 June 2006.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries.

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 effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

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

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts.

Sales of goods are recognised when the goods are delivered and title has passed.

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

Revenue from long-term decoration contract is recognised over the course of the development and is computed in each year as a proportion of the total estimated revenue of construction. The proportion used in calculation is based on the proportion of contraction costs incurred to date to estimated total construction costs to completion of the construction after taking into account of foreseeable losses.

Management fee income is recognised when the relevant services are rendered.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

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

Depreciation is provided to write off the cost of property, plant and equipment, over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year in which the item is derecognised.

Investments in associates

The results, assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Jointly controlled entities

Joint venture arrangements which involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity of the jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

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

Jointly controlled entities (Continued)

When a group entity transacts with a jointly controlled entity of the Group, unrealised profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred, in which case, the full amount of losses is recognised.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Construction contracts

When the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date, as measured by the proportion that costs incurred for work performed to date bear to estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as an amount due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as an amount due to customers for contract work. Amounts received before the related work is performed are included in the balance sheet, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customers are included in the balance sheet under accounts receivable and prepayments.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

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 period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes income statement items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date.

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 differences 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 in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and a jointly controlled entity, 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 profit 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 is realised. Deferred tax is charged or credited to 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.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

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

Foreign currencies (Continued)

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising are recognised as a separate component of equity (the exchange reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Retirement benefits costs

Payments to the retirement contribution schemes are charged as expenses as they fall due.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss has two subcategories, including financial assets held for trading and those designated at fair value through profit or loss on initial recognition. At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including accounts receivable, amounts due from associates and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as any of the other categories (set out above). At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss. Any impairment losses on available-for-sale financial assets are recognised in profit or loss. Impairment losses on available-for-sale equity investments will not be reversed in subsequent periods.

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

Financial assets (Continued)

Available-for-sale financial assets (Continued)

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not be reversed in subsequent years.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Financial liabilities

Financial liabilities including accounts payable and accrued charges, bills payable, amounts due to minority shareholders, advance from an investee company, amount due to a jointly controlled entity, amounts due to related companies and dividend payable are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

For financial liabilities, they are removed from the Group's balance sheet (i.e. when the obligation specified in the relevant contract is discharged, cancelled or expires). The difference between the carrying amount of the financial liability derecognised and the consideration received or receivable is recognised in profit or loss.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies which are described in note 3, management has made the following estimation that have significant effect on the amounts recognised in the consolidated financial statements. The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are also discussed below.

Allowances for bad and doubtful debts

The policy of allowances for bad and doubtful debts of the Group is based on the evaluation of collectability and aging analysis of accounts and on management's estimation. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer and the estimation of the future cash flows discounted at the original effective rate to calculate the present value. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include accounts receivable, amounts due from associates, bank balances and cash, accounts payable and accrued charges and amounts due to minority shareholders, an investee company, a jointly controlled entity and related companies. Details of these financial instruments are disclosed in respective notes. The risk associated with these financial instruments and the polices on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

The Group's foreign currency exposure arises mainly from the exchange rate movements of the Renminbi ("RMB").

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

Interest rate risk

The Group has exposure to cash flow interest rate risk through the impact of the rate changes on bank balances which are carried at variable interest rate. The Directors consider the Group's exposure to interest rate risk is not significant as interest bearing bank balances are within short maturity periods.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31 March 2006 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. Further, the management closely monitors the subsequent settlement of the customers and does not grant long credit period to customers. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group's credit risk on its trade receivables is concentrated over some of its major customers and the Group has policies in place to ensure that sales of furniture are made to those customers with an appropriate credit history.

Price risk

The Group's held-for-trading investments are measured at fair value at each balance sheet date. Therefore, the Group is exposed to equity security price risk. The management manages this exposure by maintaining a portfolio of investments with different risk profiles.

6. REVENUE

Revenue, which is also turnover of the Group, represents the gross amounts received and receivable for income from decoration contracts, management fee income, trading of furniture and dividend income by the Group during the year as follows:

	2006	2005
	HK$	*HK$*
Income from decoration contracts	**7,187,736**	1,785,258
Management fee income	**2,600,829**	2,247,816
Trading of furniture	**8,224,947**	5,458,133
Dividend income from investments held for trading	**207,212**	–
	18,220,724	9,491,207

7. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organised into three operating divisions – decoration contractor and trading of building supplies, management and consultancy services and investment holding, including investment in associates, jointly controlled entity and securities. These divisions are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below:

2006

	Decoration contractor and trading HK$	Management and consultancy services HK$	Investment holding HK$	Consolidated HK$
REVENUE	15,412,683	2,600,829	207,212	18,220,724
RESULT				
Segment result	(5,334,265)	1,574,184	8,232,506	4,472,425
Unallocated corporate expenses				(6,280,006)
Allowance for amounts due from minority shareholders				(3,208,165)
Gain on liquidation of a subsidiary				1,765,430
Finance costs				(219,724)
Share of results of associates	–	–	(18,079,680)	(18,079,680)
Share of result of a jointly controlled entity	–	–	(1,616,361)	(1,616,361)
Loss before taxation				(23,166,081)
Taxation credit				511,817
Loss for the year				(22,654,264)

7. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Business segments (Continued)

2006 (Continued)

BALANCE SHEET

	Decoration contractor and trading *HK$*	Management and consultancy services *HK$*	Investment holding *HK$*	Consolidated *HK$*
ASSETS				
Segment assets	**5,607,470**	**1,128,402**	**95,162,082**	**101,897,954**
Interest in associates	–	–	**29,711,033**	**29,711,033**
Interest in a jointly controlled entity	–	–	**12,593,016**	**12,593,016**
Unallocated corporate assets				**6,254,374**
Consolidated total assets				**150,456,377**
LIABILITIES				
Segment liabilities	**5,257,857**	**148,431**	**16,673,257**	**22,079,545**
Unallocated corporate liabilities				**18,703,394**
Consolidated total liabilities				**40,782,939**
OTHER INFORMATION				
Additions to property, plant and equipment	**137,701**	–	**6,186**	**143,887**
Depreciation	**76,832**	–	**519,594**	**596,426**
Write-down of inventories	**1,238,186**	–	–	**1,238,186**
Allowance for amounts due from minority shareholders	–	–	**3,208,165**	**3,208,165**

7. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Business segments (Continued)

2005

	Decoration contractor and trading	Management and consultancy services	Investment holding	Consolidated
	HK$	*HK$*	*HK$*	*HK$*
REVENUE	7,243,391	2,247,816	–	9,491,207
RESULT				
Segment result	(9,620,713)	1,384,986	(3,580,118)	(11,815,845)
Unallocated corporate expenses				(10,140,859)
Finance costs				(152,258)
Share of results of associates	–	–	(12,507,241)	(12,507,241)
Share of result of a jointly controlled entity	–	–	12,326,855	12,326,855
Loss before taxation				(22,289,348)
Taxation credit				541,838
Loss for the year				(21,747,510)

7. **BUSINESS AND GEOGRAPHICAL SEGMENTS** (Continued)

Business segments (Continued)

2005 (Continued)

BALANCE SHEET

	Decoration contractor and trading	Management and consultancy services	Investment holding	Consolidated
	HK$	*HK$*	*HK$*	*HK$*
ASSETS				
Segment assets	9,262,865	24,824	102,442,729	111,730,418
Interest in associates	–	–	46,783,921	46,783,921
Interest in a jointly controlled entity	–	–	13,792,334	13,792,334
Unallocated corporate assets				9,572,188
Consolidated total assets				181,878,861
LIABILITIES				
Segment liabilities	3,938,936	195,095	12,790,007	16,924,038
Unallocated corporate liabilities				29,608,243
Consolidated total liabilities				46,532,281
OTHER INFORMATION				
Additions to property, plant and equipment	95,004	–	5,647	100,651
Depreciation	51,099	6,281	596,589	653,969
Allowances for bad and doubtful debts	2,910,448	–	2,093,475	5,003,923

7. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Geographical segments

The Group's operations are located in Hong Kong, The People's Republic of China (the "PRC") and United States of America ("USA").

The following table provides an analysis of the Group's revenue by geographical market, irrespective of the origin of the goods/services:

	2006	2005
	HK$	*HK$*
Hong Kong	**8,891,269**	6,455,243
The PRC	**5,649,193**	3,035,964
USA	**3,680,262**	–
	18,220,724	9,491,207

The following is an analysis of the carrying amount of assets, and additions to property, plant and equipment, analysed by the geographical area in which the assets are located:

	Carrying amount of assets		**Additions to property, plant and equipment**	
	2006	2005	**2006**	2005
	HK$	*HK$*	***HK$***	*HK$*
Hong Kong	**33,830,685**	45,951,112	**137,214**	100,651
The PRC	**116,625,692**	135,927,749	**6,673**	–
	150,456,377	181,878,861	**143,887**	100,651

8. FINANCE COSTS

	2006	2005
	HK$	*HK$*
Interest on bank overdrafts wholly repayable within five years	**219,724**	152,258

9. LOSS BEFORE TAXATION

	2006	2005
	HK$	*HK$*
Loss before taxation has been arrived at after charging (crediting):		
Auditors' remuneration	**518,000**	551,500
Depreciation on property, plant and equipment	**596,426**	653,969
Imputed interest income	**(48,369)**	–
Interest income	**(38,578)**	(583)
Loss (gain) on disposal of property, plant and equipment	**29,559**	(19,512)
Net exchange loss (gain)	**120,395**	(396,422)
Rentals under operating leases on land and buildings	**51,929**	223,200
Retirement benefits costs	**139,083**	208,523
Staff costs	**7,435,538**	8,947,632

10. EMOLUMENTS OF DIRECTORS AND HIGHEST PAID EMPLOYEES

During the year ended 31 March 2006 and 31 March 2005, no emoluments were paid to Directors.

Five highest paid employees

	2006	2005
	HK$	*HK$*
Salaries and other emoluments	**2,943,697**	2,681,165
Retirement benefits costs	**32,000**	24,000
	2,975,697	2,705,165

	2006	2005
	Number of employees	
HK$1,000,000 or below	**5**	5

11. TAXATION CREDIT

	2006	2005
	HK$	*HK$*
The taxation credit (charge) comprises:		
Hong Kong Profits Tax	**511,817**	557,085
Other jurisdiction – PRC taxation	**–**	(15,247)
	511,817	541,838

11. TAXATION CREDIT (Continued)

No provision for Hong Kong Profits Tax was made as the Group has no assessable profits for the year. The taxation credit for both years represents the overprovision of Hong Kong Profits Tax in the prior years.

Taxation arising in other jurisdictions for the year ended 31 March 2005 was calculated at the rates of taxation prevailing in the respective jurisdictions in which the Group operates.

The taxation credit for the year can be reconciled to the loss before taxation per the consolidated income statement as follows:

	2006	2005
	HK$	*HK$*
Loss before taxation	**(23,166,081)**	(22,289,348)
Taxation at the income tax rate of 17.5%	**(4,054,064)**	(3,900,636)
Tax effect of expenses not deductible for tax purpose	**1,419,623**	1,710,732
Tax effect of income not taxable for tax purpose	**(2,293,652)**	(85,121)
Tax effect of share of results of associates	**3,163,944**	2,188,767
Tax effect of share of results of a jointly controlled entity	**282,863**	(2,157,200)
Tax effect of deferred tax assets not recognised	**1,493,569**	2,235,965
Overprovision of taxation in prior years	**(511,817)**	(557,085)
Others	**(12,283)**	22,740
Taxation credit for the year	**(511,817)**	(541,838)

At 31 March 2006, the Group had estimated unused tax losses of approximately HK$187,099,000 (2005: HK$178,508,000) available for offset against future profits. No deferred tax asset in respect of the estimated tax losses has been recognised due to the unpredictability of future profit streams. The estimated tax losses may be carried forward indefinitely.

At the balance sheet date, the Group had deductible temporary differences of approximately HK$3,159,000 (2005: HK$3,215,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Except for the above, there was no other significant unprovided deferred taxation for the year or at balance sheet date.

12. LOSS PER SHARE – BASIC

The calculation of loss per share – basic attributable to equity holders of the Company is based on the consolidated loss for the year attributable to equity holders of the Company of HK$22,647,558 (2005: HK$21,642,239) and on 535,359,258 (2005: 535,359,258) ordinary shares in issue during the year.

No diluted loss per share has been presented as there were no potential ordinary shares in issue in both years.

The application of the new accounting standards has no material impact on the computation of the loss per share – basic for both years.

13. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Machinery, equipment and motor vehicles	Furniture and fixtures	Leasehold improvements	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
COST					
At 1 April 2004	35,156,184	6,965,537	14,251,404	10,419,633	66,792,758
Exchange adjustment	–	16	139	–	155
Additions	–	100,651	–	–	100,651
Disposals	–	(445,708)	(126,693)	–	(572,401)
De-consolidation of a subsidiary	(35,156,184)	(1,504,015)	(1,396,473)	(2,045,572)	(40,102,244)
At 1 April 2005	–	5,116,481	12,728,377	8,374,061	26,218,919
Exchange adjustment	–	1,518	488	–	2,006
Additions	–	74,494	69,393	–	143,887
Disposals	–	–	(199,043)	–	(199,043)
At 31 March 2006	**–**	**5,192,493**	**12,599,215**	**8,374,061**	**26,165,769**
ACCUMULATED DEPRECIATION					
At 1 April 2004	32,533,257	6,524,890	4,381,988	9,448,251	52,888,386
Exchange adjustment	–	–	109	–	109
Charge for the year	–	132,664	333,350	187,955	653,969
Eliminated on disposals	–	(444,220)	(126,693)	–	(570,913)
Eliminated on de-consolidation of a subsidiary	(32,533,257)	(1,353,614)	(1,256,825)	(1,431,900)	(36,575,596)
At 1 April 2005	–	4,859,720	3,331,929	8,204,306	16,395,955
Exchange adjustment	–	–	296	–	296
Charge for the year	–	122,857	307,702	165,867	596,426
Eliminated on disposals	–	–	(169,484)	–	(169,484)
At 31 March 2006	**–**	**4,982,577**	**3,470,443**	**8,370,173**	**16,823,193**
CARRYING VALUES					
At 31 March 2006	**–**	**209,916**	**9,128,772**	**3,888**	**9,342,576**
At 31 March 2005	–	256,761	9,396,448	169,755	9,822,964

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Machinery, equipment and motor vehicles	5% – $33^1/_3$%
Furniture and fixtures	2% – 20%
Leasehold improvements	20% or over the life of the lease, if shorter

14. INTEREST IN ASSOCIATES

	2006 HK$	2005 HK$
Cost of investment in associates, unlisted	**89,549,045**	89,549,045
Share of post-acquisition losses	**(64,389,492)**	(46,309,812)
Share of exchange reserve	**4,551,480**	3,544,688
Share of net assets	**29,711,033**	46,783,921

The following table lists only the particulars of the Group's associate at 31 March 2006 which principally affects the results or assets of the Group as the Directors are of the opinion that a complete list of all the associates will be of excessive length.

Name of associate	Form of business structure	Place of registration and operation	Nominal value of capital contribution	Proportion of nominal value of registered capital held by the Group	Principal activities
Nanjing Dingshan Garden Hotel Company Ltd.	Sino-foreign equity joint venture	PRC	US$25,600,000	45%	Hotel business

The summarised financial information in respect of the Group's associates is set out below:

	2006 HK$	2005 HK$
Total assets	**440,447,959**	482,575,860
Total liabilities	**(375,020,739)**	(379,176,518)
Net assets	**65,427,220**	103,399,342
Group's share of net assets of associates	**29,711,033**	46,783,921
Revenue	**94,802,396**	112,364,999
Loss for the year	**(40,205,538)**	(27,793,868)
Group's shares of results of associates for the year	**(18,079,680)**	(12,507,241)

14. INTEREST IN ASSOCIATES (Continued)

The Group has discontinued recognition of its share of losses of certain associates. The amounts of unrecognised share of those associates, extracted from the relevant audited/management accounts of associates, both for the year and cumulatively, are as follows:

	2006	2005
	HK$	*HK$*
Unrecognised share of losses of associates for the year	**(14,236)**	(10,610)
Accumulated unrecognised share of losses of associates	**(1,699,537)**	(1,685,301)

15. INTEREST IN A JOINTLY CONTROLLED ENTITY

	2006	2005
	HK$	*HK$*
Cost of unlisted investment in a jointly controlled entity	**1,465,479**	1,465,479
Share of post-acquisition profits	**10,710,494**	12,326,855
Share of exchange reserve	**417,043**	–
	12,593,016	13,792,334

As at 31 March 2006, the Group had interest in the following jointly controlled entity:

Name of entity	**Form of business structure**	**Place of registration and operation**	**Proportion of nominal value of registered capital held by the Group**	**Principal activities**
Shanghai Qiao-Yi Real Estate Co., Ltd. (“Qiao-Yi”) *(note)*	Sino-foreign equity joint venture	PRC	80%	Property development

15. INTEREST IN A JOINTLY CONTROLLED ENTITY (Continued)

Note:

Qiao-Yi is held by the Group and a PRC minority shareholder ("Party A") at 80% and 20% respectively. In previous years, Qiao-Yi was undergoing voluntary dissolution. On further negotiation, an agreement was reached on 24 June 2003 between the two parties to continue the joint venture. Both parties agreed:

(i) To rescind the voluntary dissolution;

(ii) To relinquish their respective claims in the dispute;

(iii) To jointly hold the remaining parcel of land equally and share the profit/loss arising from the development of the aforesaid land on a 50:50 basis;

(iv) To jointly hold the club house equally;

(v) Other than items (iii) and (iv) mentioned above, the remaining net assets and the profit/loss will be distributed among the shareholders according to the revised ratios of 63.4% for the Group and 36.6% for Party A;

Pursuant to shareholders' agreements and the revised joint venture contract, revised articles of the joint venture as well as the supplementary documents, which are effective from 1 April 2004, Qiao-Yi became jointly controlled by the Group and the other shareholder. Therefore, Qiao-Yi was reclassified as a jointly controlled entity of the Group since 1 April 2004.

The summarised financial information in respect of the Group's jointly controlled entity which is accounted for using the equity method is set out below:

	2006	2005
	HK$	*HK$*
Current assets	**106,480,954**	68,138,396
Non-current assets	**1,093,749**	1,121,179
Current liabilities	**83,805,112**	43,091,346
Group's share of net assets of a jointly controlled entity	**12,593,016**	13,792,334
Income	**901,773**	29,733,384
Expenses	**4,134,496**	5,271,103
Group's share of result of a jointly controlled entity	**(1,616,361)**	12,326,855

16. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments as at 31 March 2006 comprise:

	HK$
Unlisted equity securities, at cost	**4,349,000**

The available-for-sale investments represent investments in unlisted equity securities issued by private entities incorporated in Hong Kong. They are measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

17. INVESTMENTS HELD FOR TRADING

	2006
	HK$
Equity securities listed in Hong Kong	**10,786,500**

The fair values of the investments held for trading are determined based on the quoted market bid prices available on the Stock Exchange.

18. INVESTMENTS IN SECURITIES

Investments in securities as at 31 March 2005 are set out below. Upon the application of HKAS 39 on 1 April 2005, investments in securities were reclassified to appropriate categories as set out in notes 16 and 17.

	Trading securities	**Other securities**	**Total**
	HK$	*HK$*	*HK$*
Equity securities:			
Listed in Hong Kong	264,000	15,015,000	15,279,000
Unlisted	–	4,349,000	4,349,000
	264,000	19,364,000	19,628,000
Market value of listed securities:			
Hong Kong	264,000	15,015,000	15,279,000
Carrying amount analysed for reporting purposes as:			
Current	264,000	–	264,000
Non-current	–	19,364,000	19,364,000
	264,000	19,364,000	19,628,000

19. OTHER RECEIVABLE

Other receivable represents an interest-free loan granted to a third party with a face value of HK$1,500,000 and is repayable in year 2013. At 31 March 2006, the fair value of the other receivable was valued at HK$1,073,969 on an effective interest method with an effective interest rate of 4.72%. The relevant interest income credited to the income statement during the year is HK$48,369.

As at 31 March 2005, the other receivable disclosed as non-current asset was stated at face value. If the other receivable was stated at fair value, the carrying amount would be equal to approximately HK$1,025,600 as at 31 March 2005 by applying the prevailing market rate of 4.72%.

20. INVENTORIES

	2006	2005
	HK$	*HK$*
General merchandise, at net realisable value	**–**	1,540,850

The cost of inventories recognised as an expense during the year was HK$8,611,129 (2005: HK$9,005,293).

21. OTHER FINANCIAL ASSETS

Included in accounts receivable and prepayments are trade debtors of HK$2,005,211 (2005: HK$3,494,513). The Group allows an average credit period of 90 days to trade debtors. The aged analysis of trade debtors is as follows:

	2006	2005
	HK$	*HK$*
Aged:		
0 to 60 days	**117,877**	1,283,390
61 to 90 days	**219,507**	134,518
More than 90 days	**1,795,357**	2,687,267
	2,132,741	4,105,175
Less: Allowance for bad and doubtful debts	**(127,530)**	(610,662)
	2,005,211	3,494,513

21. OTHER FINANCIAL ASSETS (Continued)

Amounts due from minority shareholders and amounts due from associates are unsecured, interest-free and are repayable on demand.

The directors consider that the fair values of the Group's other financial assets as listed above at the balance sheet date approximates to the corresponding carrying amounts.

As at 31 March 2005, the amounts due from associates disclosed as non-current asset were stated at face values. If the amounts due from associates were stated at fair values, the carrying amounts would be equal to approximately HK$16,066,000 as at 31 March 2005 by applying the prevailing market rate of 5.25%. In the opinion of the Directors, the amounts due from associates at 31 March 2005 were not repayable within one year and accordingly, the amounts were classified as non-current asset at 31 March 2005. The amounts due from associates of HK$72,765,939 (2005: HK$49,834,544) are classified as current asset at the balance sheet date as the amounts are repayable on demand in nature.

22. BANK BALANCES AND CASH

Bank balances which are short term highly liquid assets carrying interest at an average rate of 1.5% (2005: 0.01%) and are readily convertible into known amounts of cash and are subject to an insignificant risk of changes in value. The bank balances have a maturity of less than three months.

Bank balances and cash of HK$1,298,959 (2005: HK$6,400,221) are denominated in RMB.

The Directors consider that the fair value of the Group's bank balances at the balance sheet date approximates to the corresponding carrying amount.

23. OTHER FINANCIAL LIABILITIES

Included in accounts payable and accrued charges are trade creditors of HK$1,231,664 (2005: HK$2,636,558). The aged analysis of trade creditors is as follows:

	2006	2005
	HK$	*HK$*
Aged:		
0 to 60 days	**935,787**	533,079
More than 90 days	**295,877**	2,103,479
	1,231,664	2,636,558

Amounts due to minority shareholders, advance from an investee company, amount due to a jointly controlled entity, amounts due to related companies and dividend payable are unsecured, interest-free and are repayable on demand.

Bank overdrafts and bills payable are repayable on demand. The Group has variable-rate borrowings which carry interest at 0.25% per annum over Hong Kong Dollar Best Lending Rate. Interest is adjusted when the Hong Kong Dollar Best Lending rate is changed.

The Directors consider that the fair value of the Group's other financial liabilities as listed above at the balance sheet date approximates to the corresponding carrying amounts.

24. AMOUNT DUE TO A CUSTOMER ON CONTRACT WORK

	2006	2005
	HK$	*HK$*
Cost incurred to date plus estimated attributable profits less foreseeable losses	–	1,395,593
Less: Progress payments received and receivable	–	(3,488,982)
	–	(2,093,389)
Represented by:		
Due to a customer in contract work included in current liabilities	–	(2,093,389)

25. LOANS FROM MINORITY SHAREHOLDERS

The loans were unsecured, interest-free and the amounts would not be repayable in the coming 12 months from 31 March 2005 and were classified as non-current liabilities.

If the loans from minority shareholders were stated at fair values, the carrying amounts would be equal to approximately HK$1,814,000 as at 31 March 2005 by applying the prevailing market rate of 4.7%. In the opinion of the Directors, the loans from minority shareholders at 31 March 2005 were not repayable within one year and accordingly, the amounts were classified as non-current asset at 31 March 2005.

26. SHARE CAPITAL

	Number of shares	*HK$*
Ordinary shares of HK$0.10 each		
Authorised:		
At 1 April 2004, 31 March 2005 and 31 March 2006	8,500,000,000	850,000,000
Issued and fully paid:		
At 1 April 2004, 31 March 2005 and 31 March 2006	535,359,258	53,535,926

27. LEASE COMMITMENTS

Operating lease payments represent rentals payable by the Group for certain of its office premises. Leases were negotiated and rentals are fixed for terms of two years.

At 31 March 2006, the Group had no commitments for future minimum lease payments. At 31 March 2005, the Group had commitment under a non-cancellable operating lease of HK$45,000 in respect of rented premises which fall due within one year.

28. RETIREMENT BENEFITS SCHEMES

(a) Effective from 1 December 2000, the Group has joined a Mandatory Provident Fund Scheme ("MPF Scheme") for all employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rate specified in the rules. The only obligation of the Group with respect to MPF Scheme is to make the required contributions under the scheme. The total amount contributed by the Group to the MPF Scheme and charged to the income statement was HK$139,083 (2005: HK$208,523).

(b) In accordance with regulations issued by the Shanghai Municipal Government, the PRC, a subsidiary of the Company is required to make contributions to a defined contribution retirement fund which is administered by the labour bureau of the local government. The subsidiary is required to contribute 25.5% of the basic salary of its staff. The subsidiary has no material obligation for the pension payment or any post-retirement benefits beyond the annual contributions described above. The total amount contributed by the Group to the scheme and charged to the income statement was HK$5,204 (2005: contributions of HK$11,881).

29. RELATED PARTY TRANSACTIONS

Apart from the amounts due from/to related companies as disclosed in notes 21, 23 and 25, during the year, the Group entered into the following transactions with related parties, including key management personnel and companies controlled or significantly influenced by management of the Group:

	Associates		**Related companies**	
	2006	2005	**2006**	2005
	HK$	*HK$*	***HK$***	*HK$*
Sales	**–**	–	**1,205,962**	1,472,481
Management fee income received from	**2,599,140**	1,620,000	**–**	–
Building management fee paid to	**–**	–	**101,016**	101,016
Management fee paid to	**–**	–	**368,426**	–
General expenses paid to	**–**	–	**411,799**	2,505,993
Contract expense paid to	**–**	–	**95,660**	–

29. RELATED PARTY TRANSACTIONS (Continued)

Sales were carried out in the ordinary course of business.

A related company provided certain areas for the Group to use as the Group's office premises at no cost.

Certain Directors of the related companies are also the Company's Directors and two Directors of a related company are children of one of the Company's Directors.

30. DE-CONSOLIDATION OF A SUBSIDIARY

As referred to note 15, Qiao-Yi was reclassified as a jointly controlled entity during the year ended 31 March 2005. The net assets of Qiao-Yi at 1 April 2004, the date on which the Group lost its unilateral control of Qiao-Yi were as follows:

	HK$
NET ASSETS NOT CONSOLIDATED	
Property, plant and equipment	3,526,648
Inventories	25,332,969
Amount due from a minority shareholder	3,724
Amounts due from other group companies	1,731,842
Bank balances and cash	4,289,596
Accounts payable and accrued charges	(8,029,588)
Amount due to a minority shareholder	(10,999,083)
Tax payable	(3,513,894)
	12,342,214
Minority interests	(10,876,735)
Cost of unlisted investment in a jointly controlled entity	1,465,479
Net cash outflow arising on de-consolidation	
Bank balances and cash not consolidated	(4,289,596)

The above entity made no significant contribution to the Group in respect of the cash flows, revenue and the Group's loss before taxation during the year ended 31 March 2005.

31. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The following list contains only the particulars of the Company's subsidiaries at 31 March 2006 which principally affect the results or assets of the Group as the directors are of the opinion that a complete list of all the subsidiaries will be of excessive length. All the following subsidiaries are operating principally in Hong Kong except otherwise indicated.

Name of subsidiary	Place of incorporation	Class of shares held	Paid up issued share capital/ capital contribution	Proportional of nominal value of issued capital/registered capital held by the Group	Principal activities
				%	
Dragon Spirit Limited	British Virgin Islands	Ordinary	US$1	100	Investment holding
Gallaria Furnishings International Limited	Hong Kong	Ordinary	HK$2,000,020	100	Decoration contractor and trading
Hebo Urge Company Limited	Hong Kong	Ordinary	HK$2	100	Painting owner
Hong Kong Parkview (China) Limited	Hong Kong	Ordinary	HK$10,000,000	100	Investment holding
Hong Kong Parkview International Limited	Hong Kong	Ordinary	HK$2	100	Investment holding
Hong Kong Parkview International Management Limited	Hong Kong	Ordinary	HK$2	100	Personnel management
Interlink Associates Limited	British Virgin Islands	Ordinary	US$1	100	Investment holding
Newmeadow Limited	British Virgin Islands	Ordinary	US$1	100	Investment holding
Parkview Management Services Limited	British Virgin Islands	Ordinary	US$4	100	Investment holding
Parkview Property Development Limited	Hong Kong	Ordinary	HK$1,000	100	Investment holding
張家港保稅區港麗國際貿易有限公司 *(note)*	The PRC	Registered Capital	US$200,000	100	Decoration contractor and trading

Note: Wholly foreign owned enterprise and operating in the PRC.

None of the subsidiaries had issued any debt securities during the year or at 31 March 2006.