NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2006

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"). The immediate holding company and ultimate holding company as at 31 December 2006 is Civil Talent International Limited ("CTIL"), a company incorporated in British Virgin Islands. The address of the registered office and principal place of business of the Company are disclosed in the Corporate Information of the annual report.

The consolidated financial statements are presented in United States dollar while the functional currency of the Company is Renminbi. The directors consider this presentation currency is more useful for its current and potential investors.

The Company acts as an investment holding company. The principal activities of its subsidiaries and associates as at 31 December 2006 are the manufacturing and sale of wooden products and provision of integrated circuit design services.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

In preparing the consolidated financial statements the directors have given consideration to the future liquidity of the Group. While recognising that the Group had sustained a net current liabilities of US$599,000 as at 31 December 2006, the directors are confident that the Group will be able to obtain financial support from the ultimate holding company of the Company, Civil Talent International Limited, to enable the Group to meet in full its financial obligations as they fall due in the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, a number of new standards, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are either effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(CONTINUED)*

The Group has not early applied the following new standards, amendment or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standard, amendment or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Amendment)	Capital disclosures [1]
HKFRS 7	Financial instruments: Disclosures [1]
HKFRS 8	Operating segments [2]
HK(IFRIC)-INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies [3]
HK(IFRIC)-INT 8	Scope of HKFRS 2 [4]
HK(IFRIC)-INT 9	Reassessment of embedded derivatives [5]
HK(IFRIC)-INT 10	Interim financial reporting and impairment [6]
HK(IFRIC)-INT 11	HKFRS 2 – Group and Treasury Share Transactions [7]
HK(IFRIC)-INT 12	Service concession arrangements [8]

1 Effective for annual periods beginning on or after 1 January 2007.
2 Effective for annual periods beginning on or after 1 January 2009.
3 Effective for annual periods beginning on or after 1 March 2006.
4 Effective for annual periods beginning on or after 1 May 2006.
5 Effective for annual periods beginning on or after 1 June 2006.
6 Effective for annual periods beginning on or after 1 November 2006.
7 Effective for annual periods beginning on or after 1 March 2009.
8 Effective for annual periods beginning on or after 1 January 2008.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared under the historical cost convention. The accounting policies are set out below.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its subsidiary.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective dates 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 their accounting policies into 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.

Interests in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and 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 net assets, 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Revenue recognition

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

Sales of goods are recognised when risks and rewards of ownership of the goods have passed.

Interest income from financial assets 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 estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Property, plant and equipment

Property, plant and equipment other than construction in progress are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment other than construction in progress, over their estimated useful lives and after taking into account of their estimated residual values, using the straight-line method.

Construction in progress represents assets in the course of construction for production or for its own use purpose. Construction in progress is carried at cost less any identified impairment loss. Cost includes all construction expenditure and other direct costs attributable to such projects. Construction in progress is classified to other appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, takes place on the same basis as other property assets and commences when the assets are ready for their intended use.

No depreciation is provided in respect of construction in progress until it is completed and is ready for its intended use.

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 consolidated income statement in the year in which the item is derecognised.

Government grants

Government grants, in the form of value added tax refunds, are recognised when there is reasonable assurance that the entity will comply with the conditions attaching to the grant and the grant will be received, which is the date when the local government authority approves the grant.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Impairment loss

At each balance sheet date, the Group reviews the carrying amount of its tangible 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. 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, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value is determined as the estimated net selling price less all further costs of production and the related costs of marketing, selling and distribution.

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 lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

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.

Borrowing costs

Borrowing costs are recognised in the profit or loss in the period in which they are incurred.

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated 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 profit will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax asset 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 asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated 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 are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial instruments *(continued)*

Financial assets

The Group's financial assets are mainly classified into loans and receivables and available-for-sale investments. 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 are set out below.

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 trade and other receivables 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 investments

Available-for-sale investments are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, held-to-maturity investments and loans and receivables.

Available-for-sale investments, comprising other investments which do not have a quoted market price in an active market and whose fair value cannot be reliably measured, 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 loss will not reverse in subsequent periods.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial instruments *(continued)*

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 trade and other payables, amounts due to associates and ultimate holding company, bank and other borrowings) are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

Share-based payment transactions

Share options granted to directors and employees of the Company

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in share option reserve.

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognised in profit and loss, with a corresponding adjustment to share option reserve.

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated losses.

The Group has applied HKFRS 2 "Share-based payments" to share options granted on or after 1 January 2005. The above policy is applied to all equity-settled share-based payments that were granted after 7 November 2002 and vested after 1 January 2005. In relation to share options granted before 1 January 2005, the Group chooses not to apply HKFRS 2 with respect to share options granted on or before 7 November 2002 and vested before 1 January 2005 and therefore no amount has been recognised in the financial statements in respect of these equity-settled shared-based payments.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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.

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 Company (i.e. United States 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, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Retirement benefits

Payments to Mandatory Provident Fund ("MPF") scheme are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefits scheme.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies, which are described in note 4, management had made the following estimations that have the most significant effect on the amounts recognised in the financial statements.

Trade receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit and loss when there is objective evidence that the asset is impaired.

Management has put in place procedures to monitor this risk as a significant proportion of the Group's working capital is devoted to trade receivables. In determining whether there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise.

Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment loss. The impairment loss is recognised to profit and loss when there is objective evidence that the asset is impaired.

In determining whether an asset is impaired or the event previously causing the impairment no longer exists, management has to exercise judgment in the area of asset impairment, particularly in assessing (i) whether the carrying value of an asset can be supported by the net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (ii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include trade and other receivables, trade and other payables, amount due to former ultimate holding company and amounts due to associates, bank and other borrowings and bank balances and cash. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies 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.

Market risk

(i) Currency risk

Several subsidiaries of the Company have foreign currency sales and certain trade receivables and borrowings (see notes 20 and 25) are denominated in foreign currencies, which expose the Group to foreign currency risk. 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.

(ii) Interest risk

The Group's interest rate risk relates primarily to fixed-rate bank borrowings (see note 25 for details of these borrowings). It is the Group's policy to keep its borrowings at fixed rate of interests so as to minimise the cash flow interest rate risk.

Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. The maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31 December 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 management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other 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. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

The credit risk on liquid funds is limited because the counterparties are banks with high credit standing.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including raising of loans to cover expected cash demands, subject to approval by the board of directors of the Company when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The Group had sustained a net current liabilities of US$599,000 as at 31 December 2006. As outlined in note 2, the directors are confident that the Group will be able to obtain financial support from the ultimate holding company to enable the Group to meet in full its financial obligations as they fall due in the foreseeable future. In this regard, the directors of the Company consider that the Group's liquidity risk is significantly reduced.

Fair value

The fair values of other financial assets and financial liabilities are based on discounted cash flow analysis using prices from observable current market transactions. The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

7. TURNOVER AND SEGMENT INFORMATION

Turnover represents the net amounts received and receivable for goods sold and services provided.

(a) Business segments

For management purposes, the Group is currently organised into four principal operating divisions, the principal activities of which are disclosed as follows and these divisions form the bases on which the Group reports its primary segment information.

Principal activities:

Blockboard and particle board	– manufacture and trading of products of blockboard and particle board
Door skin	– manufacture and trading of door skin
Other wooden products	– manufacture and trading of wooden products other than those identified as above
Others	– high-technology related business

7. TURNOVER AND SEGMENT INFORMATION *(CONTINUED)*

(a) Business segments *(continued)*

(i) Segment information about these businesses is presented below:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2006

	Blockboard and particle board US$'000	Door skin US$'000	Other wooden products US$'000	Others US$'000	Consolidated US$'000
TURNOVER					
External sales	12,523	11,770	2,015	–	26,308
RESULT					
Segment result	(582)	(257)	(1,756)	–	(2,595)
Unallocated corporate expenses					(1,068)
Finance costs					(883)
Share of results of associates	–	–	(1,239)	(1,453)	(2,692)
Loss before taxation					(7,238)
Tax charge					(1,059)
Loss for the year					(8,297)

7. TURNOVER AND SEGMENT INFORMATION *(CONTINUED)*

(a) Business segments *(continued)*

(i) Segment information about these businesses is presented below: *(continued)*

CONSOLIDATED ASSETS AND LIABILITIES

As at 31 December 2006

	Blockboard and particle board US$'000	Door skin US$'000	Other wooden products US$'000	Others US$'000	Consolidated US$'000
ASSETS					
Segment assets	14,666	14,836	1,744	–	31,246
Interests in associates	–	–	54	295	349
Unallocated corporate assets					2,375
Consolidated total assets					33,970
LIABILITIES					
Segment liabilities	1,851	1,474	2,502	–	5,827
Unallocated corporate liabilities					14,203
Consolidated total liabilities					20,030

7. TURNOVER AND SEGMENT INFORMATION *(CONTINUED)*

(a) Business segments *(continued)*

(i) Segment information about these businesses is presented below: *(continued)*

OTHER INFORMATION

For the year ended 31 December 2006

	Blockboard and particle board	Door skin	Other wooden products	Others	Consolidated
	US$'000	US$'000	US$'000	US$'000	US$'000
Additions of property, plant and equipment	249	302	120	–	671
Amortisation of prepaid lease payments	71	32	2	–	105
Depreciation of property, plant and equipment	1,220	1,497	150	47	2,914
Loss on disposal of property, plant and equipment	8	3	–	–	11
Allowance for bad and doubtful debts	107	151	431	69	758
Impairment loss recognised in respect of construct in progress	–	–	268	–	268
Write down of inventories to net realisable value	143	302	214	–	659

7. TURNOVER AND SEGMENT INFORMATION *(CONTINUED)*

(a) Business segments *(continued)*

(i) Segment information about these businesses is presented below: *(continued)*

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2005

	Blockboard and particle board US$'000	Door skin US$'000	Other wooden products US$'000	Others US$'000	Consolidated US$'000
TURNOVER					
External sales	11,128	8,084	3,273	–	22,485
RESULT					
Segment result	(28)	(342)	(1,218)	–	(1,588)
Unallocated income					287
Unallocated corporate expenses					(1,209)
Finance costs					(746)
Share of results of associates	–	–	(91)	(1,710)	(1,801)
Loss before taxation					(5,057)
Tax charge					(1,040)
Loss for the year					(6,097)

CONSOLIDATED ASSETS AND LIABILITIES

As at 31 December 2005

	Blockboard and particle board US$'000	Door skin US$'000	Other wooden products US$'000	Others US$'000	Consolidated US$'000
ASSETS					
Segment assets	15,559	16,379	3,288	–	35,226
Interests in associates	–	–	1,259	1,749	3,008
Unallocated corporate assets					3,244
Consolidated total assets					41,478
LIABILITIES					
Segment liabilities	1,447	1,114	2,266	–	4,827
Unallocated corporate liabilities					13,548
Consolidated total liabilities					18,375

7. TURNOVER AND SEGMENT INFORMATION *(CONTINUED)*

(a) Business segments *(continued)*

(i) Segment information about these businesses is presented below: *(continued)*

OTHER INFORMATION

For the year ended 31 December 2005

	Blockboard and particle board US$'000	Door skin US$'000	Other wooden products US$'000	Others US$'000	Consolidated US$'000
Additions of property, plant and equipment	468	521	309	–	1,298
Amortisation of prepaid lease payments	69	31	2	–	102
Depreciation of property, plant and equipment	1,096	1,717	147	53	3,013
Loss on disposal of property, plant and equipment	2	6	9	–	17
Reversal (allowance) for bad and doubtful debts	46	(117)	(271)	–	(342)

(b) Geographical segments

The Group's operations are located in Hong Kong and other regions in the People's Republic of China (the "PRC"). Manufacture of the wooden products is carried out in the PRC.

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

	Sales revenue by geographical market	
	Year ended 31.12.2006 US$'000	Year ended 31.12.2005 US$'000
The PRC	**16,020**	14,825
Europe	**4,613**	5,165
Asia excluding the PRC	**3,645**	913
Others	**2,030**	1,582
	26,308	22,485

7. TURNOVER AND SEGMENT INFORMATION *(CONTINUED)*

(b) Geographical segments *(continued)*

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

	Carrying amount of consolidated segment assets		Capital additions	
	Year ended 31.12.2006 US$'000	Year ended 31.12.2005 US$'000	**Year ended 31.12.2006 US$'000**	Year ended 31.12.2005 US$'000
The PRC (including Hong Kong)	**33,573**	37,427	**671**	1,298

8. OTHER INCOME

Other income comprises:

	2006 US$'000	2005 US$'000
Value added tax refund (*Note*)	**545**	1,014
Exchange gain	**29**	13
Interest income	**24**	9
Rental income from lease of plant and machinery	**60**	–
Others	**42**	87
Gain on disposal of other investments	**–**	283
Gain on disposal of associates	**–**	4
	700	1,410

Note: Certain subsidiaries of the Company established in the PRC are involved in the production of wooden products which require the use of raw materials that are environmental friendly. Pursuant to the relevant rules and regulations of the PRC governing the value added tax ("VAT"), such subsidiaries were entitled to a VAT refund totalling US$545,000 (2005: US$1,014,000) for the year ended 31 December 2006.

9. FINANCE COSTS

	2006 US$'000	2005 US$'000
Interest on:		
– borrowings from banks and other financial institutions wholly repayable within five years	**786**	619
– three-year loan notes	**97**	97
– other borrowings	**–**	30
	883	746

10. TAX CHARGE

Tax charge comprises:

	2006 US$'000	2005 US$'000
PRC Enterprise Income Tax	**(59)**	(12)
Deferred tax charge (*Note 18*)		
– current year	**–**	(91)
– deferred tax assets written-off	**(1,000)**	(937)
	(1,059)	(1,040)

Note: No provision for Hong Kong Profits Tax has been made as the Company and its subsidiaries incorporated in Hong Kong have no assessable profits for both years.

PRC Enterprise Income Tax is provided for with reference to the applicable tax rates prevailing in the respective regions of the PRC on the estimated assessable profits of subsidiaries.

10. TAX CHARGE *(CONTINUED)*

The tax charge for the year can be reconciled to the loss per the consolidated income statement as follows:

	2006	2005
	US$'000	US$'000
Loss before taxation	**(7,238)**	(5,057)
Tax at the domestic income tax rate of 33% (2005: 33%)	**(2,389)**	(1,669)
Tax effect of share of results of associates	**888**	594
Tax effect of expenses not deductible for tax purpose	**248**	277
Tax effect of income not taxable for tax purpose	**(201)**	(284)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**216**	196
Effect of preferential tax rates of subsidiaries operating in other jurisdictions in the PRC	**457**	500
Tax effect of deductible temporary differences not recognised	**594**	44
Tax effect of tax losses not recognised	**246**	446
Deferred tax assets written-off	**1,000**	937
Others	**–**	(1)
Tax charge for the year	**1,059**	1,040

11. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

	2006	2005
	US$'000	US$'000
Directors' remuneration (*Note a*)		
– Fees	**33**	14
– Other emoluments	**61**	45
	94	59
Employees' salaries and benefits expense	**1,204**	1,344
Retirement benefits scheme contributions for staff other than directors (*Note b*)	**353**	338
Total employee benefits expense	**1,651**	1,741
Allowance for bad and doubtful debts	**758**	342
Amortisation of prepaid lease payments	**105**	102
Auditors' remuneration	**232**	182
Exchange losses	**–**	58
Depreciation of property, plant and equipment	**2,914**	3,013
Impairment loss recognised in respect of club debenture	**37**	–
Loss on disposal of property, plant and equipment	**11**	17
Minimum lease payments under operating leases in respect of rented premises	**45**	29
Write down of inventories to net realisable value	**659**	–
Cost of inventories recognised as expenses	**22,821**	20,880

11. LOSS FOR THE YEAR *(CONTINUED)*

Notes:

(a) Emoluments of directors and highest paid employees

(i) The emoluments paid or payable to each of the 12 (2005: 5) directors were as follows:

	Zhang Xi	Zhang Huafang	Cai Duanhong	Hong Po Kui, Martin	Yam Tak Fai, Ronald	Wong Man Hin, Raymond	Yang Ding-Yuan	Meng Tung-Mei, Grace	Edward S. Yang	Lo I-Wang	Chang Jing Yue	Chan Ting-Fung, Tim	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
For the year ended 31 December 2006													
Fees	4	4	4	2	2	2	–	5	–	5	5	–	33
Other emoluments													
Salaries and other benefits	–	–	–	–	–	–	59	–	–	–	–	–	59
Retirement benefits scheme contributions	–	–	–	–	–	–	2	–	–	–	–	–	2
	4	4	4	2	2	2	61	5	–	5	5	–	94

	Yang Ding-Yuan	Meng Tung-Mei, Grace	Edward S. Yang	Chan Ting-Fung, Tim	Lo I-Wang	Total
	US$'000	*US$'000*	*US$'000*	US$'000	US$'000	US$'000
For the year ended 31 December 2005						
Fees	–	5	–	5	4	14
Other emoluments						
Salaries and other benefits	43	–	–	–	–	43
Retirement benefits scheme contributions	2	–	–	–	–	2
	45	5	–	5	4	59

11. LOSS FOR THE YEAR *(CONTINUED)*

(a) Emoluments of directors and highest paid employees *(continued)*

(ii) Emoluments of the directors of the Company were within the following band:

	2006 Number of directors	2005 Number of directors
Nil-HK$1,000,000 (equivalent to US$128,436)	**12**	5

(iii) Of the five individuals with the highest emoluments in the Group, one (2005: one) was a director of the Company whose emoluments are included in the disclosures above. The emoluments of the remaining four (2005: four) individuals are as follows:

	2006 US$'000	2005 US$'000
Salaries and other benefits	**454**	326
Retirement benefit scheme contributions	**5**	4
	459	330

Their emoluments were within the following band:

	2006 Number of individuals	2005 Number of individuals
Not exceeding HK$1,000,000 (equivalent to US$128,436)	**4**	4

(b) Retirement benefits schemes

The Group operates a MPF scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the scheme, which contribution is matched by employees.

In addition, pursuant to government regulations, for the Group's employees in the PRC, relevant subsidiaries are required to contribute amounts ranging from approximately 14% to 30% of the aggregate staff wages to certain retirement benefit schemes. The only obligation of the Group with respect to the retirement benefits schemes is to make the specified contribution.

The total cost charged to the consolidated income statement of US$355,000 (2005: US$340,000) represents contributions to the schemes by the Group at rates specified in the rules of the respective schemes.

12. LOSS PER SHARE

The calculation of the loss per share is based on the loss for the year attributable to equity holders of the Company of US$7,017,000 (2005: US$5,068,000) and the weighted average of 9,197,779,755 (2005: 9,181,703,043) shares in issue during the year.

No diluted loss per share is presented for both years as the exercise of the outstanding share options or warrants would result in a decrease in the loss per share.

13. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Plant and equipment	Furniture and fittings	Motor vehicles	Construction in progress	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
COST						
At 1 January 2005	9,754	34,888	26	1,081	433	46,182
Additions	73	450	–	15	760	1,298
Reclassifications	–	234	–	–	(234)	–
Disposals	–	(201)	–	(4)	–	(205)
At 31 December 2005	9,827	35,371	26	1,092	959	47,275
Currency realignment	683	2,287	–	67	45	3,082
Additions	–	184	–	127	360	671
Reclassifications	38	737	–	–	(775)	–
Disposals	–	–	–	(69)	–	(69)
At 31 December 2006	10,548	38,579	26	1,217	589	50,959
DEPRECIATION						
At 1 January 2005	2,921	24,070	15	951	–	27,957
Provided for the year	534	2,410	5	64	–	3,013
Eliminated on disposal	–	(184)	–	–	–	(184)
At 31 December 2005	3,455	26,296	20	1,015	–	30,786
Currency realignment	266	1,768	–	61	–	2,095
Provided for the year	508	2,354	5	47	–	2,914
Impairment loss recognised	–	–	–	–	268	268
Eliminated on disposal	–	–	–	(48)	–	(48)
At 31 December 2006	4,229	30,418	25	1,075	268	36,015
CARRYING VALUES						
At 31 December 2006	6,319	8,161	1	142	321	14,944
At 31 December 2005	6,372	9,075	6	77	959	16,489

13. PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

During the year, the construction work of a manufacturing plant in Shengyang has been suspended and the cost of approximately US$268,000 in respect of the construction in progress was impaired.

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

	Rate per annum (%)
Buildings on land held under short term leases outside Hong Kong	5 to 10
Land and buildings held under medium term leases in Hong Kong	4
Plant and equipment and furniture and fittings	10 to 33
Motor vehicles	20

	2006 US$'000	2005 US$'000
The carrying value of the Group's leasehold land and buildings are held under:		
Medium term lease in Hong Kong	**669**	717
Short term leases in the PRC	**5,650**	5,655
	6,319	6,372

14. PREPAID LEASE PAYMENTS

	2006 US$'000	2005 US$'000
The Group's prepaid lease payments comprise:		
Short term lease in the PRC	**1,013**	1,058
Less: Current portion shown under current assets	**(108)**	(102)
	905	956

The prepaid lease payments are amortised over the term of the leases.

15. INTERESTS IN ASSOCIATES

	2006 **US$'000**	2005 US$'000
Cost of unlisted investments	**9,680**	9,680
Share of reserves	**447**	414
Share of post-acquisition losses	**(9,778)**	(7,086)
	349	3,008

Particulars of the Group's associates at 31 December 2006 are as follows:

Name of associate	Place of incorporation/ registration	Place of operation	Percentage of issued share capital/registered capital held by the Group %	Issued share capital/ registered capital	Principal activities
Fulhua Microelectronics Corporation* 福華微電子股份有限公司	Cayman Islands	Taiwan	31.73	Ordinary US$100,000 and Series A & B preferred shares ** US$21,290,572	Investment holding
瀋陽福陽人造板有限公司 Shenyang Fuyang Wood-Basal Panel Ltd. *(Note 2)*	PRC	PRC	40.00	US$5,000,000	Manufacture and sale of wooden products
天津福津木業有限公司 Tianjin Fortune Timber Co., Ltd. *(Note 2)*	PRC	PRC	49.5	US$17,453,021	Manufacture and sale of wooden products
湖北福漢木業有限公司 Hubei Fuhan Timber Co., Ltd. *(Note 2)*	PRC	PRC	48.0	US$4,567,565	Manufacture and sale of wooden products

* Directly held by the Company.

** The Series A and B preferred shares are voting. They are entitled to receive non-cumulative dividends in preference to the ordinary shares for a value of US$0.01 per share each year, when and if dividends are declared by the board of directors of this subsidiary.

In the event of liquidation or winding up of this associate, the holders of the Series A and B preferred shares shall be entitled to receive, pari passu among themselves, but prior to and in preference to the holders of ordinary shares, out of the assets of this associate that is legally available for distribution, an amount equals to US$0.05 per share, together with any declared but unpaid dividends. All remaining assets of this associate, if any, shall be distributed to the holders of Series A and B preferred shares and ordinary shares pro-rata.

Notes:

(1) This company is a wholly foreign owned enterprise of an associate.

(2) Such companies are Sino-foreign equity joint ventures.

15. INTERESTS IN ASSOCIATES *(CONTINUED)*

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

	2006 US$'000	2005 US$'000
Total assets	**9,361**	17,147
Total liabilities	**(11,711)**	(10,691)
Net (liabilities) assets	**(2,350)**	6,456
Group's share of net assets	**349**	3,008
Revenue`	**17,472**	14,910
Loss for the year	**(8,405)**	(5,725)
Group's share of result for the year	**(2,692)**	(1,801)

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

	2006 US$'000	2005 US$'000
Unrecognised share of losses of associates for the year	**(347)**	(237)
Accumulated unrecognised share of losses of associates	**(1,315)**	(968)

16. OTHER INVESTMENTS

The investments as at 31 December 2006 comprise:

	2006 **US$'000**	2005 US$'000
Equity securities		
Costs of investments	**3,116**	3,116
Less: Impairment loss recognised	**(3,116)**	(3,116)
	–	–

The balance represents investments in unlisted equity securities issued by private entities incorporated in Taiwan and the PRC. They are measured at cost less impairment at each balance sheet date because the directors of the Company are of the opinion that the fair value cannot be measured reliably as there is no active market information available.

Particulars of the Group's investments in investee companies at 31 December 2006 are as follows:

Name of investee	**Place of incorporation**	**Proportion of nominal value of issued capital attributable to the Group**	**Principal activities**
優網通國際資訊股份有限公司 UniSVR Global Information Technology Corp. ("UniSVR")	Taiwan	9.38%	Provision of information technology outsourcing services
廊坊福洋木業有限公司 Langfang Fuyang Timber Co., Ltd. #	PRC	51%	Manufacture and sale of wooden products

\# The Group holds more than half of the registered capital of this company but is not in a position to control the composition of the board of directors or equivalent governing body of this company and therefore the Group does not control Langfang Fuyang Timber Co., Ltd., and the Group is not in a position to exercise significant influence over this company.

17. CLUB DEBENTURE

	US$'000
FAIR VALUE	
At 1 January 2005, 31 December 2005 and 1 January 2006	37
Less: Impairment loss recognised	(37)
At 31 December 2006	–

The fair value of the Group's club debenture as at 31 December 2006 was nil (2005: US$37,000). The valuation was determined by reference to recent market prices for similar debentures.

18. DEFERRED TAX ASSETS

The following are the major deferred tax assets recognised by the Group, and the movements thereon during the current and prior periods:

	Allowance for bad and doubtful debts	**Allowance for slow moving inventories**	**Tax losses**	**Impairment loss in respect of plant and equipment**	**Accelerated accounting depreciation**	**Total**
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
At 1 January 2005	(455)	(301)	(147)	(151)	(917)	(1,971)
(Credit) charge to income statement for the year	(37)	(11)	71	68	–	91
Written-off for the year	43	288	–	–	606	937
At 31 December 2005 and 1 January 2006	(449)	(24)	(76)	(83)	(311)	(943)
Currency realignment	(27)	(1)	(5)	(5)	(19)	(57)
Written-off for the year	476	25	81	88	330	1,000
At 31 December 2006	–	–	–	–	–	–

At the balance sheet date, the Group has unused tax losses of US$16,953,000 (2005: US$15,014,000) available for offset against future profits. No deferred tax has recognised in respect of such losses in 2006. In 2005, deferred tax asset had been recognised in respect of US$315,000 of the tax losses and no deferred tax asset has been recognised in respect of the remaining US$14,699,000 due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of US$4,101,000 (2005: US$2,504,000) that will expire before 2011. Other losses can be carried forward indefinitely.

In addition, the Group has unrecognised deductible temporary differences of US$21,221,000 (2005: US$15,429,000) arising from allowance for bad and doubtful debts and slow moving inventories, as well as the difference between the tax written down value and carrying value of property, plant and equipment at the balance sheet date. No deferred tax asset has been recognised in relation to such deductible temporary differences as it is not certain that taxable profit will be available against which the deductible temporary differences can be utilised.

19. INVENTORIES

	2006 US$'000	2005 US$'000
Raw materials	2,935	3,270
Work in progress	458	920
Finished goods	3,168	5,039
	6,561	9,229

20. TRADE AND OTHER RECEIVABLES

	2006 US$'000	2005 US$'000
Trade receivables	4,390	4,068
Other receivables	1,596	2,493
	5,986	6,561

The Group's policy is to allow an average credit period of 90 days to its trade customers.

The following is an aged analysis of trade receivables at the balance sheet date:

	2006 US$'000	2005 US$'000
0 – 90 days	3,535	2,924
91 – 180 days	362	460
More than 180 days	493	684
	4,390	4,068

The Group's trade and other receivables are denominated in currencies other than the functional currency, of the relevant entities, are set out below:

	US$'000
As at 31 December 2006	436
As at 31 December 2005	338

21. BANK BALANCES AND CASH

Bank balances and cash comprise cash and short-term bank deposits with original maturity of three months or less, and carry interest ranging from 0.62% to 2.5% (2005: 0.62% to 2.25%) per annum.

22. TRADE AND OTHER PAYABLES

	2006 **US$'000**	2005 US$'000
Trade payables	**2,897**	3,724
Other payables	**4,368**	2,359
	7,265	6,083

The following is an aged analysis of trade payables at the balance sheet date:

	2006 **US$'000**	2005 US$'000
0 – 90 days	**1,460**	2,104
91 – 180 days	**88**	144
More than 180 days	**1,349**	1,476
	2,897	3,724

Included in other payables are amounts due to minority shareholders of subsidiaries of US1,845,000 (2005: US$1,031,000) which are unsecured, interest-free and repayable on demand.

23. AMOUNTS DUE TO ASSOCIATES

The amounts due to associates are unsecured, interest free and repayable on demand.

24. AMOUNT DUE TO ULTIMATE HOLDING COMPANY/FORMER ULTIMATE HOLDING COMPANY

The amount unsecured, interest free and repayable on demand.

25. BANK AND OTHER BORROWINGS

	2006 US$'000	2005 US$'000
Secured loans from banks and other financial institutions *(Note a)*	**10,015**	9,665
Unsecured three-year loan notes *(Note b)*	**1,377**	1,384
Unsecured other borrowings *(Note c)*	**282**	565
	11,674	11,614
Carrying amount repayable:		
Within one year	**10,015**	10,887
Between one to two years	**1,377**	461
After five years	**282**	266
	11,674	11,614
Less: Amount due within one year shown under current liabilities	**(10,015)**	(10,887)
Amount due after one year	**1,659**	727

Notes:

(a) The loans from banks and other financial institutions carry fixed interest ranging from 5.58% to 6.70% (2005: 5.58% to 5.84% per annum).

(b) According to the corporate restructuring of the Company and its subsidiaries which was completed on 30 March 2001, the creditors of the Group received three-year loan notes from the Company with an aggregate face value of US$4,400,000 which carry interest at a rate of 7% per annum. The three-year loan notes are repayable in six equal semi-annual instalments. The repayment of the remaining three outstanding instalments of the loan notes amounted to US1,377,000 has been extended to September 2008.

(c) Other borrowings include interest-free borrowings of US$282,000 (2005: US$266,000), which is repayable after five years. At 31 December 2005, the remaining other borrowings carried fixed interest rate at 10% per annum.

The Group's borrowings are denominated in currencies other than the functional currency, of the relevant entities, are set out below:

	US$'000
As at 31 December 2006	1,377
As at 31 December 2005	1,384

26. SHARE CAPITAL

	Number of shares	Amount
		US$'000
Ordinary share of US$0.001 each		
Authorised:		
At 1 January 2005, 31 December 2005 and 31 December 2006	100,000,000,000	100,000
Issued and fully paid:		
At 1 January 2005	9,161,779,755	9,161
Issue of shares upon exercise of options	36,000,000	36
At 31 December 2005, 1 January 2006 and 31 December 2006	9,197,779,755	9,197

27. SHARE OPTION SCHEMES

A share option scheme was adopted by the Company on 19 November 2001 (the "Share Option Scheme"). Pursuant to the Share Option Scheme, the directors of the Company may, at their discretion, grant options to any directors, executives, employees and any other persons who have contributed or will contribute to the Group to subscribe for shares in the Company at a price determined by the directors and not less than the highest of:

(i) The closing price of the shares of the Company as stated in the daily quotation sheets issued by the Stock Exchange on the date of grant of the options;

(ii) The average closing price of the shares of the Company as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant of the options; and

(iii) The nominal value of the shares of the Company on the date of grant.

The issue of options under the Share Option Scheme is subject to a maximum of 30% of the issued share capital of the Company from time to time.

The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

A consideration of HK$1 is payable on the grant of an option.

Options lapse if the employee leaves the group before the options vest.

27. SHARE OPTION SCHEMES *(CONTINUED)*

Details of the movements of the share options granted under the Share Option Scheme during the year are as follows:

				Number of share options				
Date of grant	Vesting period	Exercise price	Exercise period	Outstanding at 1 January 2005	Exercised during the year	Outstanding at 31 December 2005 and 1 January 2006	Surrendered during the year	Outstanding at 31 December 2006
		HK$					(Note)	
Executive and employees								
30 April 2002	30 April 2002- 31 December 2002	0.050	1 January 2003- 29 April 2012	31,200,000	–	31,200,000	(31,200,000)	–
30 April 2002	30 April 2002- 31 December 2003	0.050	1 January 2004- 29 April 2012	23,400,000	–	23,400,000	(23,400,000)	–
30 April 2002	30 April 2002- 31 December 2004	0.050	1 January 2005- 29 April 2012	23,400,000	–	23,400,000	(23,400,000)	–
24 January 2003	24 January 2003- 26 June 2003	0.021	27 June 2003- 23 January 2013	60,000,000	–	60,000,000	(60,000,000)	–
28 January 2003	28 January 2003- 31 January 2004	0.020	1 February 2004- 27 January 2013	20,000,000	(20,000,000)	–	–	–
28 January, 2003	28 January 2003- 31 January 2005	0.020	1 February 2005- 27 January 2013	16,000,000	(16,000,000)	–	–	–
Sub-total				174,000,000	(36,000,000)	138,000,000	(138,000,000)	–
Directors								
30 April 2002	–	0.050	30 April 2002- 29 April 2012	200,000,000	–	200,000,000	(200,000,000)	–
Grand total				374,000,000	(36,000,000)	338,000,000	(338,000,000)	–

Note: The directors of the Company surrendered the share options granted to them by the Company during the year.

27. SHARE OPTION SCHEMES *(CONTINUED)*

Pursuant to the Company's shareholders' approval in the special general meeting held on 18 June 2004, the share option scheme of Wood Art International Corporation ("Wood Art"), a subsidiary of the Company, became effective.

The limit on the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the share option scheme of Wood Art must not exceed 30% of the number of the issued shares from time to time (subject to the approval of the shareholders of the Company). A consideration of HK$1 is payable on the grant of an option.

Movements in the number of options to subscribe for shares in Wood Art are set out below:

				Number of share options		
	Date of grant	**Exercise period**	**Exercise price**	**Outstanding at 1 January 2005**	**Lapsed during the year**	**At 31 December 2005 and 31 December 2006**
Executive and employee	18 June 2004	18 June 2004-17 June 2007	US$1.00	638	(638)	–

28. CAPITAL COMMITMENTS

At the balance sheet date, the Group had outstanding capital commitments as follows:

	2006 US$'000	2005 US$'000
Capital expenditure in respect of acquisition of property, plant and equipment		
– authorised but not contracted for	**357**	1,017
– contracted but not provided for	**–**	426
	357	1,443

29 LEASING ARRANGEMENTS

The Group as lessee

At the balance sheet date, the Group had outstanding commitment of future minimum lease payments under non-cancellable operating leases in respect of land and buildings which fall due as follows:

	2006	2005
	US$'000	US$'000
Within one year	**46**	44
In the second to fifth year inclusive	**130**	145
Over five years	**–**	23
	176	212

Most of the operating lease payments represent rental payable by the Group for certain of its rented premises for manufacturing purposes in the PRC. Leases are negotiated and rentals are fixed for an average term of five years.

The Group as a lessor

At the balance sheet date, the Group had contracted with lessees for the following future minimum lease payments in respect of certain plant and machinery:

	2006	2005
	US$'000	US$'000
Within one year	**125**	–
In the second to fifth year inclusive	**195**	–
	320	–

The plant and machinery, with insignificant carrying amount, was leased out for a period of three years and the rentals were pre–determined and fixed.

30. PLEDGE OF ASSETS

At the balance sheet date, the Group had pledged certain properties and plant and equipment with carrying amounts of US$8,150,000 (2005: US$9,375,000) respectively to various banks and other financial institutions for securing loans and general credit facilities granted to the Group.

31. RELATED PARTY TRANSACTIONS

The key management personnel are the directors of the Company. The details of their remunerations are set out in note 11.

The Group also had balances with related parties at the balance sheet date which are set out in notes 23 and 24.

32. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Particulars of the Company's subsidiaries at 31 December 2006 are as follows:

Name of subsidiary	Place of incorporation/ registration	Place of operation	Percentage of issued share capital/ registered capital held %	Issued and fully paid capital/ registered capital	Principal activities
Ta Fu Strategic Investment Limited	British Virgin Islands	Hong Kong	100	US$10,000	Investment holding
Wood Art International Corporation	British Virgin Islands	Hong Kong	100	US$10,000	Investment holding
TGT Holdings Corporation	British Virgin Islands	Hong Kong	100	US$2	Investment holding
Fulbond Business Services Limited	Hong Kong	Hong Kong	100	HK$2	Provision of management services
Fulbond Digital Systems Limited	Hong Kong	Hong Kong	100	HK$2	Inactive
Ta Fu Timber Company Limited	Hong Kong	Hong Kong	100	Ordinary HK$200 and deferred * HK$5,000,000	Investment holding
Ta Fu Flooring Company Limited	Hong Kong	Hong Kong	100	Ordinary HK$200 and deferred * HK$1,000,000	Inactive
Ta Fu International Development Limited	Hong Kong	Hong Kong	100	Ordinary HK$200 and deferred * HK$10,000	Inactive
Fulbond High-Tech Investment Limited	Hong Kong	Hong Kong	100	Ordinary HK$200 and deferred * HK$200	Inactive
Ta Fu Furniture Co., Limited	Hong Kong	Hong Kong	100	Ordinary HK$20 and deferred * HK$20	Inactive
Senbond Building Materials Limited	Hong Kong	Hong Kong	100	Ordinary HK$200 and deferred * HK$10,000	Provision of management services

32. PARTICULARS OF SUBSIDIARIES OF THE COMPANY *(CONTINUED)*

Name of subsidiary	Place of incorporation/ registration	Place of operation	Percentage of issued share capital/ registered capital held %	Issued and fully paid capital/ registered capital	Principal activities
Ta Fu Properties Co., Limited	Hong Kong	Hong Kong	100	Ordinary HK$20 and deferred * HK$20	Property investment
瀋陽福昇中密度板有限公司 Shenyang Fusheng Wood Clipboard Co., Ltd. *(Note)*	PRC	PRC	51	US$3,000,000	Manufacture and sale of wooden products
吉林省福春木業有限公司 Jilin Province Fuchun Timber Co., Ltd. *(Note)*	PRC	PRC	55	RMB17,464,000	Manufacture and sale of wooden products
吉林福敦木業有限公司 Jilin Fudun Timber Co., Ltd. *(Note)*	PRC	PRC	67	RMB223,158,165	Manufacture and sale of wooden products

* The deferred shares are non-voting and are not entitled to participate in the distribution of profits in any financial year and are only entitled to a return of capital on liquidation when the net assets of the relevant company available for distribution are in excess of HK$100,000,000,000,000,000.

Note: Such companies are Sino-foreign equity joint ventures.

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

33. POST BALANCE SHEET EVENT

On 20 March 2007, the Company entered into the sale and purchase agreement with a third party, to dispose of the Group's 31.73% interest in Fulhua Microelectronics Corporation ("Fulhua"), at a cash consideration of US$340,000. Upon the completion of the sale and purchase of the sale shares, the Group has no equity interest in Fulhua and Fulhua will cease to be an associate of the Group. The consideration was paid by the purchaser upon signing of the agreement.

34. BALANCE SHEET OF THE COMPANY

	At 31 December	
	2006	2005
	US$'000	US$'000
Non-current assets		
Property, plant and equipment	**–**	2
Investments in subsidiaries	**–**	–
Interests in associates	**340**	2,852
	340	2,854
Current assets		
Other receivables	**21**	120
Amounts due from subsidiaries	**2**	14,605
Bank balances and cash	**10**	303
	33	15,028
Current liabilities		
Other payables	**316**	130
Amounts due to subsidiaries	**1,470**	698
Amount due to ultimate holding company	**560**	560
Other borrowings-amount due within one year	**–**	923
	2,346	2,311
Net current (liabilities) assets	**(2,313)**	12,717
	(1,973)	15,571
Capital and reserves		
Share capital	**9,197**	9,197
Reserves	**(12,547)**	5,913
	(3,350)	15,110
Non-current liability		
Other borrowings – amount due after one year	**1,377**	461
	(1,973)	15,571

The loss for the year ended 31 December 2006 of the Company amounted to approximately US$18,460,000 (2005: US$1,031,000).

The accumulated losses as at 31 December 2006 amounted to approximately US$61,805,000 (2005: US$43,345,000). The Company has no reserve available for distribution as at 31 December 2006.