Pacific Plywood Holdings Limited
太平洋實業控股有限公司
Stock Code: 0767

2009
Annual Report

Content

Corporate Information

EXECUTIVE DIRECTORS

Dr. WIDODO Budiono, *Chairman*
Mr. WIDODO Sardjono, *Managing Director*
Mr. LIAO Yun Kuang, *President*
Mr. YU Chien Te

NON-EXECUTIVE DIRECTORS

Mr. USMAN Marzuki
Mr. WIDJAJA Kusnadi
Mr. SIAH Chong Huat
Mr. HALIM Sudjono
Mr. KUSNADI Pipin

COMPANY SECRETARY

Mr. LAU Kin Wah, CPA

AUDIT COMMITTEE MEMBERS

Mr. USMAN Marzuki, *Chairman*
Mr. WIDJAJA Kusnadi
Mr. SIAH Chong Huat

REMUNERATION COMMITTEE MEMBERS

Mr. LIAO Yun Kuang, *Chairman*
Mr. USMAN Marzuki
Mr. WIDJAJA Kusnadi

AUDITOR

PricewaterhouseCoopers
22nd Floor
Prince's Building
Central
Hong Kong

PRINCIPAL BANKERS

Malayan Banking Berhad
United Overseas Bank Limited

SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712–1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton, HM12
Bermuda

PRINCIPAL OFFICE

Room 602, Yue Xiu Building,
160–174 Lockhart Road
Wanchai
Hong Kong

Chairman's Statement

Budiono Widodo
Chairman

The global recession in 2009 had affected a lot of countries and many industries in various sectors had borne the full brunt of its impact, especially in the first half of the year. Global industrial demand had declined considerably but the pace and breadth of this decline had narrowed considerably in the second half of 2009. There are economic indicators showing a gradual and modest recovery in 2010 but many manufacturers and retailers are bracing for a long and slow recovery.

During the year, the Group achieved a turnover of US$ 50.4 million, a drop of 50.7% against last year. This decline was mainly attributed to a significant shrink in demand for the Group's products in Europe, US, China and Japan market. US housing market continued to be plagued by rising foreclosures and unemployment and tighter consumer credit. Japan's housing market also did not fare well. Demand for our plywood-based floorings to China market dropped markedly due to slowdown in global trade. However, the Group's newly developed market, namely South East Asia, had remained resilient and demand for our products had actually increased to 41% of our total sales, as compared to 24% in 2008.

On the operations front, we had consolidated our resources by streamlining our production processes to improve productivity and quality. Timely production with correct product mix helped us in minimizing wastages. Optimum utilization of our operating cashflow with continued cost-cutting measures had enabled the Group to weather this difficult period. We had continued to nurture and work very closely with our strategic partners and suppliers. Team spirit and workers morale had been cultivated within the organisation, with on-going training programmes for improvement of technical and management skills which encourages innovation and continuous learning culture among all employees.

Chairman's Statement

During the period under review, the Group had managed to dispose of its discontinued plant in Dalian, China and realized a profit from discontinued operations of US$5.5 million. This enabled us to concentrate our efforts in expanding our manufacturing business in Malaysia. With the gradual improvement in the global market in 2010, the Group successfully raised funds in the amount of approximately US$5.4 million by a placement of 265 million new shares in March 2010.

On behalf of the Board, I would like to take this opportunity to express my gratitude to the management and staff for their dedication and invaluable efforts during this difficult year. Also, I would like to thank all our shareholders, investors, customers and suppliers for their continuing support and confidence in the Group.

Budiono Widodo
Chairman

Hong Kong, 8th April, 2010

Management Discussion and Analysis

BUSINESS REVIEW

Manufacturing business

Due to the strain of the market turmoil, our plant in Malaysia had only been running at 50% of its capacity for the year under review. Production volume of our Malaysian plant was approximately 120,000m^3, which was 40% lower than 2008. The drastic drop was the result of significant shrink in demand for our products in Europe, US, China and Japan. Despite the reduced production levels, increased efforts were spent to enhance its productivity and reduce log cutting wastages. Our average recovery rate was around 50%, which exceeded the industry norm.

Log prices recorded a slight decline of 11% as compared to 2008. The El Nino effect experienced in the second quarter of 2009 had affected the timber logging activities in Malaysia, whereby the extremely dry weather conditions made forests very susceptible and vulnerable to forest fires. Logging camps also had inadequate drinking water and sanitations. With the continued bleak global economy, construction and manufacturing activities had reduced drastically and had resulted in lower demand from millers.

Prices of crude related products and services like freight, utility and glue costs had been declining for the most part of 2009. This had reduced our direct production costs.

During the second half of 2009, there was a general shortage of foreign labour in Malaysia, which arose from the tightening of foreign labour laws. Replacement of factory workers who had completed their contracts took a longer processing time. However, with a reduced labour force, we had emphasised on enhancing workers productivity in order to achieve optimum production yield.

Market overview

During the year under review, turnover of the Group had reduced by 50.7% to US$50.4 million, with shipments to China, Europe and US comprising a total of only 17.5% of the Group's turnover, comparing to 47.6% in 2008. The broad weak US economy especially the housing and financial market, together with its high unemployment rate, had reduced its demand for our products. Most of the European countries also suffered the same fate and we suffered a drastic drop in European turnover to 9.6% of 2009 total turnover as compared to 24.7% in 2008.

Flooring business with China also dropped drastically to only US$0.8 million as compared to US$13.9 million in 2008 as a result of the slowdown in global trade.

Our customers in South East Asia however, had increased its demand and order book with us, thereby registering an increase to 41% of our total turnover in 2009 as compared to 24% in the previous year.

Moisture resistant and weather boil proof plywood remained the main products that were sold in 2009, comprising 87% of the Group's turnover. The Group is committed to understanding our varied customers needs and market trends and to this end, we are constantly seeking to improve our technical and manufacturing capabilities in order to capture a larger share of the niche market in plywood.

Outlook

Asia is envisaged to spearhead the recovery of the global economy in 2010 although this process of recovery will be long and slow. With the introduction of various financial stimulus packages by most countries, global trade balances will gradually improve and over the near term, the micro and macro economics policies adopted will help the global economy. We are bullish that in the near future, our core business of manufacturing and selling of plywood and other wood related products will only improve steadfastly.

The Group will continue to focus on maintaining excellent relationship with our customers and suppliers. More strategic ties with major purchasing houses in China and other East Asia countries will be pursued. Continuous product innovation and quality improvement will be made in order to serve our customers better.

FINANCIAL REVIEW

Liquidity and financial resources

As at 31st December, 2009, the Group recorded net current liabilities of approximately US$20.6 million, compared to US$22.7 million as at 31st December, 2008. The decrease in net current liabilities could be attributable to the successful disposal of Ankan (China) Holdings Limited ("ACHL") Group.

Capital structure

During the year ended 31st December, 2009, there was no material change to the Group's capital structure.

Management Discussion and Analysis

On 2nd March, 2010, the Company entered into a placing agreement with Grand Vinco Capital Limited (the "Placing Agent"), pursuant to which, the Placing Agent agreed to place, on best effort basis, to not less than six independent placees for up to 265,540,000 shares at a price of HK$0.158 per share, for and on behalf of the Company. On 29th March, 2010, the transaction was completed and 265,540,000 shares were successfully placed to not less than six placees, who and (where a corporation) whose ultimate beneficial owners are not connected persons of the Company and are independent of the Company and its connected persons. The aggregate amount of approximately HK$41,955,000 (equivalent to approximately US$5,381,000) was received by the Company.

Significant investments, acquisitions and disposals

In May 2009, the Group entered into an agreement with an independent third party for the sale of ACHL, holding company of the Group's PRC operations, and the disposal was completed in June 2009.

Employees

As at 31st December, 2009, the Group had 1,454 staff, 1,420 of whom worked at the manufacturing plant in Bintulu, Sarawak, Malaysia. In-house training programmes were provided for staff to enhance skills and job knowledge. Management will continue to foster close co-operation with the staff.

Details of charges on assets

Bank loans and other banking facilities of the Group were secured by pledges of certain property, plant and equipment and leasehold land with a net book value of approximately US$52,620,000, floating charges on certain inventories of approximately US$7,461,000, trade receivables of approximately US$29,000, bank balances of approximately US$17,000, other assets of approximately US$500,000, corporate guarantees given by the Company and personal guarantees given by two Directors of the Company.

Future plans for material investment or capital assets

In December 2009, the Group terminated the agreement regarding the acquisition of 49% interest in certain 30,000 acres concessions and received the refund of the deposit paid in the amount of US$1 million.

Gearing ratio

The gearing ratios of the Group as at 31st December, 2009 and 2008 were as follows:

	31st December,	
	2009	2008
	US$'000	US$'000
Total borrowings	**66,841**	67,330
Less : Cash and cash equivalents	**(1,040)**	(1,673)
Net debt	**65,801**	65,657
Total (deficit)/equity	**(12,309)**	8
Total capital	**53,492**	65,665
Gearing ratio (net debt to total capital)	**123%**	100%

The gearing ratio remained at a high level primarily due to the continuing loss suffered by the Group. The Group monitors its current and expected liquidity requirements to ensure it maintains sufficient cash and cash equivalents and has available funding through adequate amount of committed credit facilities to meet its working capital requirements.

Foreign exchange exposures

The Group mainly operates in Malaysia and exposed to foreign exchange risk primarily from Malaysian Ringgit with respect to United States dollars. The Group has not used forward contracts to hedge such exchange risk because it is considered as not cost-effective.

Contingent liabilities

As at 31st December, 2009, the Group had no contingent liabilities.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Dr. Budiono Widodo, aged 66, is a founder and the Chairman of the Group and is responsible for strategic development of the Group. He is also a director of each of the subsidiaries of the Company except Glowing Schemes Sdn. Bhd. He started in the forestry business in Indonesia in 1979 and has over 30 years of experience in the timber industry, starting as a log exporter and then becoming a plywood manufacturer and trader. Apart from the plywood business, he is also engaged in other industries including property and hotels.

Mr. Sardjono Widodo, aged 42, is the Managing Director of the Group and a son of Dr. Budiono Widodo. He is also a director of each of the subsidiaries of the Company except Glowing Schemes Sdn. Bhd. He holds a Diploma in Mechanical Engineering and has been in the wood industry for about 20 years.

Mr. Liao Yun Kuang, aged 57, is the President of the Group. He is also a director of each of the subsidiaries of the Company. He holds a Bachelor Degree in Business Administration from Tam Kang University in Taiwan. Prior to joining the timber industry, Mr. Liao has worked for two large conglomerates in Taiwan and has more than 25 years experience in general management.

Mr. Yu Chien Te, aged 56, is a Vice President of the Group. He graduated in Electrical Engineering in Taiwan and has more than 20 years of experience in the plywood and wood-related industry.

NON-EXECUTIVE DIRECTORS

Mr. Marzuki Usman, aged 67, holds a Master Degree in Economics from University of Gajah Mada as well as Duke University in Durham, North Carolina, USA. He was the Minister of Tourism (Arts and Culture) in Indonesia from May 1998 to October 1999. From May 1999, he also assumed the job as Minister for Investment and head of Agency for Investment Coordination Board until October 1999.

Mr. Pipin Kusnadi, aged 64, is the commissioner for over 10 companies in Jakarta and has been in the wood industry since 1991.

Mr. Kusnadi Widjaja, aged 55, is a certified member of the Capital Market Professional Standards in Jakarta, Indonesia. He has more than 15 years of experience in the field of finance and securities trading and investment management. He is currently a Special Assistant to the Chief Executive Office of an Indonesian group of companies with extensive business interests in logging and shipping.

Mr. Sudjono Halim, aged 47, a son-in-law of Dr. Budiono Widodo, graduated with a Master Degree in Business Administration from the California State University in Los Angeles, USA. He also holds a Bachelor Degree in Electronic and Electrical Engineering from the University of Southern California in Los Angeles, USA. He has more than 15 years business experience in corporate financing, securities, trading, investment and manufacturing in Indonesia and Singapore.

Mr Siah Chong Huat, aged 48, holds a Bachelor Degree in Science (Economics) specializing in Management Studies from the University of London. He also holds a Diploma in Building Services Engineering from Ngee Ann Polytechnic, Singapore. He has over 20 years of business experience in building materials and building-related industries where he has held executive positions in various companies operating in such industries.

COMPANY SECRETARY

Mr. Lau Kin Wah, aged 44, is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. He holds a Bachelor Degree in Business Administration from The Chinese University of Hong Kong. He joined the Group on 1st October, 1998.

Biographical Details of Directors and Senior Management

MANAGEMENT AND SENIOR STAFF

Mr Lai Soon Peng, aged 47, is the Chief Financial Officer of the Group. He is a Fellow of the Association of Chartered Certified Accountants and a member of the Malaysian Institute of Accountants. He started his career with an international audit firm for about 5 years. He has over 10 years of experience in accounting and administration in the finance industry in Malaysia. Prior to joining the Company, he was a director and the financial controller of a company in Hong Kong, specializing in the manufacture of mobile phones. Mr. Lai joined the Group on 16th June, 2008.

Mr. Ho Chee Mun, aged 51, is the Vice President of the Group. He has been in the plywood industry since 1979. He holds an honours degree in commerce majoring in marketing and a diploma in administrative management from the Institute of Administrative Management in the United Kingdom. Mr. Ho first joined the Group on 1st April, 1993. In 2002, Mr. Ho left the Group to set up his own plywood trading and consultancy company. During this period, he has consulted various plywood factories in the region and also attained a master degree in International Business from an Australian University. Mr. Ho rejoined the Group on 15th August, 2007.

Mr. Su Wen Chang, aged 56, is a Vice President of the Group. He graduated in electrical engineering in Taiwan. Prior to joining the Group in 1992, he worked in the timber industry in Taiwan, Singapore and Indonesia for nearly 20 years. Mr. Su joined the Group on 16th March, 1992.

Mr. Goh Lian Seng, aged 45, is the Chief Planning Officer of the Group. He graduated from University of Malaya, Malaysia in April 1990 majoring in accounting. He also holds a Master Degree in Business Administration from University of Birmingham, United Kingdom in 2001. He is also a member of Malaysia Institute of Accountants and Malaysia Institute of Certified Public Accountants. He joined one of the top accounting firms as an auditor for six years before he joined the Group as a financial analyst. He joined the Group on 1st July, 1996.

Miss Kon Siew Foon, aged 45, is the Senior Accounting Manager of the Group. She graduated from University of Malaya, Malaysia in 1990 majoring in accounting. Upon graduation, she worked as an auditor for 2 years. She joined the Group on 2nd May, 1992.

Mr. Chen De Jung, aged 44, is the Chief Administrative Officer of the Group. He graduated from Connecticut University in USA with a Master Degree in Business Administration in 1996. Upon graduation, he worked in one of the largest telecommunication companies in USA. He joined the Group on 31st October, 1996.

Financial Summary

(Amounts expressed in United States dollars unless otherwise stated)

INCOME STATEMENTS

The following is a summary of the audited consolidated results of Pacific Plywood Holdings Limited (the "Company") and its subsidiaries (together the "Group") for the respective years as hereunder stated.

	For the year ended 31st December,				
	2009	2008	2007	2006	2005
	$'000	$'000	$'000	$'000	$'000
Revenue	**50,448**	94,706	108,986	105,478	95,436
(Loss)/Profit attributable to the Company's equity holders	**(9,794)**	(36,452)	1,268	458	(7,904)
Dividends	**–**	–	–	–	–

BALANCE SHEETS

The following is a summary of the audited consolidated balance sheets for the Group as at the respective dates as hereunder stated.

	As at 31st December,				
	2009	2008	2007	2006	2005
	$'000	$'000	$'000	$'000	$'000
Leasehold land	**2,897**	2,928	2,958	2,989	3,020
Property, plant and equipment	**49,783**	61,989	73,852	74,371	81,005
Interest in an associate	**705**	981	–	–	–
Deferred income tax assets	**4,860**	4,807	5,021	4,716	4,402
Deposit for acquisition of an investment	**–**	1,000	1,500	–	–
Current assets	**10,415**	19,634	45,845	39,241	39,444
Current liabilities	**(30,995)**	(42,384)	(44,237)	(42,097)	(47,398)
Non-current borrowings	**(49,974)**	(48,947)	(48,419)	(53,165)	(57,140)
Deferred income tax liabilities	**–**	–	–	(15)	(14)
	(12,309)	8	36,520	26,040	23,319
Representing:					
Ordinary shares	**4,278**	4,278	4,278	3,598	18,037
Reserves	**(17,587)**	(5,270)	31,242	21,442	4,282
Minority interest	**1,000**	1,000	1,000	1,000	1,000
Shareholders' (deficit)/equity	**(12,309)**	8	36,520	26,040	23,319

Corporate Governance Report

The Board believes that a high standard of corporate governance is crucial to the development of the Group. In addition to complying with statutory and regulatory standards, the Group is committed to maintain a high standard of corporate governance with emphasis on transparency, accountability and fairness.

The Board is composed of a group of professionals and businessmen with different expertise in skill and experience. In order to ensure independence and objectivity in the management, non-executive Directors represent a majority of the Board.

BOARD OF DIRECTORS

The Board is responsible for establishing the strategic direction and the overall management of the Group's business. Day-to-day operation, particularly, certain manufacturing operational management is however, delegated to the management.

The number of Board meetings held during the year ended 31st December, 2009 and the directors' respective attendance record are summarized as follows:

	Number of meetings attended (10 meetings in total)
Executive Directors	
Budiono Widodo	9
Sardjono Widodo	9
Liao Yun Kuang	10
Yu Chien Te	9
Non-executive Directors	
Pipin Kusnadi	6
Sudjono Halim	6
Independent Non-executive Directors	
Marzuki Usman	6
Kusnadi Widjaja	6
Siah Chong Huat	7

Regular Board meetings are convened and held by the Company and Directors are given adequate notice to attend such regular Board meetings or other Board meetings. Directors are also provided in a timely manner with appropriate information in such form and of such quality as will enable them to make an informed decision and to discharge their duties and responsibilities as Directors. Minutes of regular Board meetings, other Board meetings or other committees meetings are recorded in sufficient detail. Drafts of these minutes are circulated to all Directors for their comments before they are finalized for signatures and records.

As disclosed in the section of Biographical Details of Directors and Senior Management, Mr. Sardjono Widodo, Managing Director and Mr. Sudjono Halim, a non-executive director are a son and son-in-law of Dr. Budiono Widodo, Chairman respectively.

Corporate Governance Report

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under code provision A.2.1, the roles of the Chairman and the Chief Executive Officer should be separate and should not be performed by the same individual.

In addition to his duties as the Chairman, Dr. Budiono Widodo is also responsible for the strategic planning and overseeing certain aspects of the Group's operation. Such duties overlap with those of Mr. Sardjono Widodo, the Chief Executive Officer, who is his son. Nevertheless, the Board considers that this will not impair the balance of power and authority of the Board and management of the Group. The balance of power and authority is ensured by the operation of the Board, which comprises nine directors. All of them are experienced businessmen or professionals and they meet regularly to review the Group's performance. For decisions which may have significant effect on the Group's business, all directors presence is secured as far as possible. The Board therefore has confidence in Dr. Budiono Widodo and trusts that his rich experience in plywood industry will contribute significantly to the Group's business.

NON-EXECUTIVE DIRECTORS

All the non-executive directors of the Company are appointed for a specific term of one year but they are also subject to retirement by rotation in accordance with the Company's Bye-laws.

CODE OF CONDUCT ON DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the terms as contained in the Model Code for Securities Transactions by Directors of Listed Issuers (Appendix 10 of the Listing Rules) as the Company's code of conduct for securities transactions and dealings (Model Code). All existing directors of the Company, upon specific enquiry, have confirmed that they have complied with the Model Code during the year ended 31st December, 2009.

REMUNERATION OF DIRECTORS

The Remuneration Committee was duly constituted 29th June, 2005 and comprises an executive director, Mr. Liao Yun Kuang (chairman) and two independent non-executive directors, Mr. Marzuki Usman and Mr. Kusnadi Widjaja.

The primary role of the Remuneration Committee under its terms of reference is to support and advise the Board in fulfilling the Board's responsibility to the shareholders of the Company to (a) establish remuneration policies and structure of directors and senior management; (b) review and approve performance-based remuneration by reference to the goals, objectives and performance of the Group; and (c) to determine the specific remuneration packages and/or compensation for all executive Directors and senior management; and (d) to ensure that no Director or any of his associates is involved in deciding his own remuneration.

NOMINATION OF DIRECTORS

The Board will meet to discuss nomination of directors when circumstances required. Upon receipt of a nomination from the members of the Board, a Board meeting will then be convened to consider and discuss the nomination. Academic and professional qualifications, business experience, expertise and knowledge as well as other requirements under the Listing Rules will be assessed to determine if the nomination is suitable.

AUDITOR'S REMUNERATION

During the year ended 31st December, 2009, the Group engaged PricewaterhouseCoopers to perform audit and audit related services at a fee of approximately US$280,000, which includes the service fee of approximately US$22,000 for an engagement to apply certain agreed-upon procedure to the Group's 2009 interim financial statements.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive directors, Mr. Marzuki Usman (chairman), Mr. Kusnadi Widjaja and Mr. Siah Chong Huat.

The number of committee meetings held during the year ended 31st December, 2009 and the committee members' respective attendance record are summarized as follows:

	Number of meetings attended (2 meetings in total)
Marzuki Usman	2
Kusnadi Widjaja	0
Siah Chong Huat	2

The Audit Committee has adopted terms of reference which are in line with the Code and the Corporate Governance Code issued by the Stock Exchange.

The main duties of the Audit Committee are as follows:

a. To review with the internal and external auditors the adequacy and effectiveness of the Group's internal control and service systems and practices;

b. To consider the appointment of the external auditors, its remuneration and any questions of resignation or dismissal;

c. To discuss with the external auditors before the audit commences, the nature and scope of the audit;

d. To review the half year and annual financial statements before submission to the Board, focusing particularly on:

- Any changes in accounting policies and practices;
- Significant adjustment resulting from audit;
- The going concern assumption;
- Significant and unusual events;
- Compliance with accounting standards or any other legal requirements

e. To discuss problems and reservations arising from the audits, and any matters the external auditors may wish to discuss;

f. To perform any other functions as may be agreed by the Audit Committee and the Board.

During the year ended 31st December, 2009, the Audit Committee met to review the annual financial statements for the year ended 31st December, 2008 and the interim financial information for the six months ended 30th June, 2009. In December 2009, the Audit Committee communicated with the external auditor of the Company through telephone conference to discuss their audit plan for 2009 annual audit.

The Audit Committee has discussed and reviewed with management the consolidated financial statements for the year ended 31 December, 2009.

Corporate Governance Report

INTERNAL CONTROLS

The Group has in place a group Internal Audit function, which assists the Audit Committee with assessment on the adequacy and integrity of the systems of internal control. Internal audit function reports directly to the Audit Committee. Internal audit function undertakes the audit of the Group's operating units, reviewing the units compliance to internal control procedures, highlighting weaknesses and making appropriate recommendations for improvements.

The Board notes that all internal control systems contain inherent limitations and no system of internal control could provide absolute assurance against the occurrence of material errors, poor judgment in decision making, human error losses, fraud and other irregularities.

During the year, the Audit Committee and the board of directors have reviewed the effectiveness of the existing system of internal control and found no material weaknesses that have resulted in any material losses or major breakdown that would require disclosure in this annual report. Management will continue to review and take measures to strengthen the internal control environment.

COMMUNICATION WITH SHAREHOLDERS

The Board maintains an on-going dialogue with shareholders through annual general meetings or special general meetings and shareholders are encouraged to participate.

Under code provision E.1.2, the Chairman of the Board should attend the annual general meeting.

Due to certain urgent matters to be attended by Dr. Budiono Widodo, Chairman of the Board, he did not attend the Company's 2009 annual general meeting. In order to remedy the situation and ensure the smooth communications between the Board and shareholders, Mr. Sardjono Widodo, Managing Director and Mr. Liao Yun Kuang, President of the Company, attended the Company's 2009 annual general meeting to answer questions raised by shareholders.

Report of the Directors

(All amounts in United States dollars unless otherwise stated)

The Directors submit their report together with the audited financial statements for the year ended 31st December, 2009.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in note 8 to the accompanying consolidated financial statements.

The Group's sales for the year ended 31st December, 2009 is analyzed as follows:

		$'000
a.	**Sales and distribution of merchandise by product categories**	
	Weather and boil proof plywood	27,004
	Moisture resistant plywood	16,711
	Flooring	5,028
	Jamb and mouldings	663
	Structural	365
	Others	677
		50,448
b.	**Sales and distribution of merchandise by geographical areas***	
	South East Asia	20,862
	Japan	9,867
	Korea	6,321
	Europe	4,835
	The People's Republic of China ("the PRC")	3,243
	North America	753
	Others	4,567
		50,448

* Sales and distribution of merchandise by geographical areas is determined on the basis of the location to where the merchandise is delivered.

Details of segment information are set out in note 6 to the accompanying consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 25.

The Directors do not recommend the payment of a dividend.

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in note 17 to the accompanying consolidated financial statements.

DONATIONS

There was no charitable or other donations made by the Group during the year.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in note 9 to the accompanying consolidated financial statements.

ORDINARY SHARES

Details of the movements in ordinary shares of the Company during the year are set out in note 16 to the accompanying consolidated financial statements.

DISTRIBUTABLE RESERVES

Movements in the distributable reserves of the Group and the Company during the year are set out in note 17 to the accompanying consolidated financial statements.

As at 31st December, 2009, the Company did not have reserves (2008: $8,964,000) available for distribution to its shareholders.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-laws and the laws in Bermuda.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 9 of this annual report.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

SHARE OPTIONS

Before the listing of the Company's shares on the Stock Exchange on 20th November, 1995, the Company adopted a share option scheme for employees on 17th October, 1995 ("Pre-IPO Option Scheme").

In compliance with the amended Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"), the Company terminated the Pre-IPO Option Scheme and adopted the current share option scheme (the "Scheme"), as approved by shareholders at the Annual General Meeting on 21st June, 2002. Upon the said termination, no further options could be granted under the Pre-IPO Option Scheme but in all other respects, the provisions of the Pre-IPO Option Scheme should remain in force and all outstanding options granted prior to the termination should continue to be valid and exercisable. Details of the Scheme have been set out in the "Letter from the Board" dated 13th May, 2002.

Under the Scheme, the Company may grant options to any participant, in the absolute discretion of the Board, who has made valuable contribution to the business of the Group. The subscription price will be a price determined by the Board and at least the highest of: (a) the closing price of the shares as stated in the Stock Exchange's daily quotations sheets on the date of grant of the option, which must be a business day; (b) the average closing price of the shares as stated in Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option; and (c) the nominal value of the shares. The total number of shares which may be issued upon exercise of options must not exceed 30% of the number of shares in issue from time to time and in addition, 10% of the number of shares in issue at the date of approval of the option scheme.

(All amounts in United States dollars unless otherwise stated)

No share option has been granted under the Scheme. Details of the share options granted under the Pre-IPO Option Scheme in 1999 and outstanding as at 31st December, 2009 were as follows:

				Number of shares to be issued under options granted under share option scheme
Name	**Date of Grant**	**Exercise Period**	**Excercise price per share**	**Beginning and End of year**
Mr. Liao Yun Kuang	26/8/1999	14/3/2000 to 13/3/2010	HK$0.71	7,425,600
Continuous Contract Employees	26/8/1999	14/3/2000 to 13/3/2010	HK$0.71	3,003,000
				10,428,600

DIRECTORS

The Directors who held office during the year and up to the date of this report are:

Executive Directors

Dr. Budiono Widodo, *Chairman*
Mr. Sardjono Widodo, *Managing Director*
Mr. Liao Yun Kuang, *President*
Mr. Yu Chien Te

Non-Executive Directors

Mr. Sudjono Halim
Mr. Pipin Kusnadi

Independent Non-Executive Directors

Mr. Marzuki Usman
Mr. Kusnadi Widjaja
Mr. Siah Chong Huat

In accordance with Bye-laws 99 of the Company's Bye-laws and Code Provision A.4 under Appendix 14 to the Listing Rules, Mr. Yu Chien Te, Mr. Kusnadi Widjaja and Mr. Siah Chong Huat will retire at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

The Company has received from each independent non-executive Director an annual confirmation of his independence pursuant to Rule 3.13 of Chapter 3 of the Listing Rules and the Company still considers such Directors to be independent.

DIRECTORS' SERVICE CONTRACTS

None of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company, which is not determinable within one year without payment of compensation other than statutory compensation.

(All amounts in United States dollars unless otherwise stated)

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company, any of its fellow subsidiaries or its parent company was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Brief biographical details of the Directors and Senior Management are set out on pages 7 to 8 of this annual report.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

At 31st December, 2009, the interests and short positions of each Director and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept by the Company under Section 352 of Part XV of the SFO were as follows:

	Personal Interest	Corporate Interest Note 1	Trust Interest Note 2	Total	% of Total Shares Outstanding
Dr. Budiono Widodo	24,827,600	24,827,600	394,944,000	444,599,200	33.48%
Mr. Sardjono Widodo	Nil	Nil	394,944,000	394,944,000	29.74%
Mr. Yu Chien Te	5,887,320	Nil	Nil	5,887,320	0.44%

Notes:

1. As at 31st December, 2009, Wealth Summit Holdings Limited held 24,827,600 shares of the Company. Dr. Budiono Widodo, a Director of the Company, held 100% of the outstanding shares of Wealth Summit Holdings Limited.

2. As at 31st December, 2009, Bank of East Asia (Trustee) Limited, being the trustee of the Peace Trust, held indirectly 394,944,000 shares of the Company. Dr. Budiono Widodo and Mr. Sardjono Widodo are named beneficiaries of the Peace Trust.

Save as disclosed herein and the section "Share options", as at 31st December, 2009, none of the Directors, the chief executive of the Company or their associates had any interest or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Dr. Budiono Widodo, (a Commissioner of P.T. Sumatra Timber Utama Damai ("P.T. STUD")) Chairman of the Company, and Mr. Sardjono Widodo, (a Commissioner of P.T. STUD) Managing Director of the Company, have personal and corporate interests of approximately 2.82% and 3.31% in P.T. STUD respectively.

P.T. STUD is a prominent manufacturer in the container flooring segment and its management team comprises professionals, associates and family members of Dr. Budiono Widodo.

During the year ended 31st December, 2009, P.T. STUD recorded sales of approximately $888,000, which was analyzed by product range as follows:

	$'000
Plywood	769
Film Face	119
Total	888

The core business of P.T. STUD is the manufacture and sales of industrial plywood and other secondary plywood products. The principal business of the Group is the manufacture and distribution of plywood, veneer and consumer-related wood products. Therefore, the business of P.T. STUD does not and will not compete with that of the Group.

In addition, Dr. Budiono Widodo and Mr. Sardjono Widodo are not involved in the day-to-day operations of the business of P.T. STUD. Furthermore, P.T. STUD has given an undertaking in favour of the Group that it will not compete with the Group by manufacturing those plywood products which are currently produced, or are likely to be produced in the future, by the Group, but excluding products which are currently produced by P.T. STUD. Dr. Budiono Widodo has also undertaken to use his best efforts to procure P.T. STUD to comply with its undertaking, as long as he is the controlling shareholder (as defined under the Listing Rules) of both the Company and P.T. STUD.

(All amounts in United States dollars unless otherwise stated)

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE COMPANY

The register of substantial shareholders required to be kept under section 336 of Part XV of the SFO shows that as at 31 December, 2009, the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the Directors and chief executives.

Long position in ordinary shares of the Company:

Name	Capacity and nature of interest	Number of shares held	Percentage of the Company's issued share capital
Dr. Budiono Widodo	Beneficial owner, held by controlled corporation and beneficiary of a trust	444,599,200	33.48%
Aroma Pinnacle Inc Note 1	Held by controlled corporation	394,944,000	29.74%
Bank of East Asia (Trustees) Limited as the trustee of the Peace Trust Note 1	Held by controlled corporation	394,944,000	29.74%
Peace Avenue Group Limited Note 2	Held by controlled corporation	394,944,000	29.74%
Mr. Sardjono Widodo	Beneficiary of a trust	394,944,000	29.74%
Precious Win Group Limited	Beneficial owner	197,472,000	14.87%
SMI International Limited	Beneficial owner	197,472,000	14.87%

Notes:

1. Reference to 394,944,000 shares of the Company relate to the same block of shares in the Company which represent the total number of shares of the Company held indirectly by Peace Avenue Group Limited (as explained in note 2 below).

2. Precious Win Group Limited and SMI International Limited are owned by Peace Avenue Group Limited for 65.25% and 39.82% respectively and their interests in the issued share capital of the Company are included in the interests held by Peace Avenue Group Limited.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchases	
– the largest supplier	12.81%
– five largest suppliers combined	29.07%
Sales	
– the largest customer	25.18%
– five largest customers combined	50.19%

MAJOR CUSTOMERS AND SUPPLIERS (Continued)

None of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

CONNECTED TRANSACTIONS

Significant related party transactions entered by the Group during the year ended 31st December, 2009, which do not constitute connected transactions under the Listing Rules, are disclosed in note 33 to the accompanying consolidated financial statements.

DISCONTINUED OPERATIONS

The Group invested in the PRC based on the expectation of a few favourable factors, namely lower manufacturing costs, including labour and rental, and availability of raw material resources. However, due to the rapid economic development of the PRC and the drastic changes of the business environment and government policy in the PRC, the availability of resources, including lumber and labour, has become scarce and costs for manufacturing have been increasing. The Board considered that this trend would continue in the future and accordingly, the Group should cease its manufacturing base in the PRC.

As a result of the worldwide financial turmoil in 2008, the operating environment of the Group's PRC business, represented by Ankan (China) Holdings Ltd ("ACHL") and its subsidiaries (together the "ACHL Group"), became more difficult.

After careful consideration and for the best interests of the Group, the Board decided to dispose the ACHL Group. On 29th May, 2009, the Group entered into an agreement with a purchaser, under which the Group agreed to sell and the purchaser agreed to acquire all the issued shares in the capital of ACHL for a consideration of US$50,000 and the transaction was completed on 2nd June, 2009.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors of the Company, the Board of Directors confirms that the Company has maintained a sufficient public float as required under the Listing Rules during the year ended 31st December, 2009.

SUBSEQUENT EVENTS

On 2nd March, 2010, the Company entered into a placing agreement with Grand Vinco Capital Limited (the "Placing Agent"), pursuant to which, the Placing Agent agreed to place, on best effort basis, to not less than six independent placees for up to 265,540,000 shares at a price of HK$0.158 per share, for and on behalf of the Company. On 29th March, 2010, the transaction was completed and 265,540,000 shares were successfully placed to not less than six placees, who and (where a corporation) whose ultimate beneficial owners are not connected persons of the Company and are independent of the Company and its connected persons. The aggregate amount of approximately HK$41,955,000 (equivalent to approximately US$5,381,000) was received by the Company.

AUDITOR

The accompanying consolidated financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board of Directors

BUDIONO WIDODO
Chairman
Hong Kong, 8th April, 2010

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor, Prince's Building
Central, Hong Kong

TO THE SHAREHOLDERS OF PACIFIC PLYWOOD HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Pacific Plywood Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 23 to 84 which comprise the consolidated and company statements of financial position as at 31st December, 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Except as described in the basis for qualified opinion paragraphs, we conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

BASIS FOR QUALIFIED OPINION

We were unable to obtain sufficient appropriate audit evidence in respect of the financial information of one of the Group's subsidiaries, Dalian Global Wood Products Company Limited ("Dalian Global"), when we conducted the audit of the consolidated financial statements of the Group as at 31st December, 2008 and for the year then ended, and a disclaimer of opinion on such financial statements was issued on 16th April, 2009. As a result, the opening balances of the consolidated financial statements of the Group as at 1st January, 2009 might have been significantly different had we been able to obtain such evidence.

Independent Auditor's Report

As explained in note 3.1(d) to the consolidated financial statements, management was still unable to make available to us the accounting records and related documents of Dalian Global. Moreover, Ankan (China) Holdings Limited ("ACHL"), the indirect controlling shareholder of Dalian Global, was sold to an independent third party in June 2009. Therefore, we were unable to obtain sufficient appropriate audit evidence to ascertain the appropriateness of the profit for the year from discontinued operations of US$5,517,000 as recorded in the Group's consolidated income statement for the year ended 31st December, 2009, and of the related disclosures included in note 15 to the consolidated financial statements. Consequently, we were not able to determine whether any adjustments to the amounts might have been necessary had we been able to obtain such financial information.

QUALIFIED OPINION ARISING FROM LIMITATION OF AUDIT SCOPE

In our opinion, except for the effect of the matters described in the basis for qualified opinion paragraphs, the consolidated financial statements give a true and fair view of the state of affairs of the Group and of the Company as at 31st December, 2009 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

EMPHASIS OF MATTER

Without further qualifying our opinion, we draw attention to note 2 to the consolidated financial statements, which indicates that the Group incurred a net loss of US$9,794,000 during the year ended 31st December, 2009 and, as of that date, the Group's current liabilities exceeded its current assets by US$20,580,000. These conditions, along with other matters as set forth in note 2, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 8th April, 2010

Statements of Financial Position

As at 31st December, 2009
(All amounts in United States dollars unless otherwise stated)

		Group		Company	
	Note	**2009** **$'000**	2008 $'000	**2009** **$'000**	2008 $'000
ASSETS					
Non-current assets					
Investments in subsidiaries	*8*	**–**	–	**880**	20,753
Leasehold land	*7*	**2,897**	2,928	**–**	–
Property, plant and equipment	*9*	**49,783**	61,989	**–**	1
Interests in an associate	*10*	**705**	981	**–**	–
Deferred income tax assets	*21*	**4,860**	4,807	**–**	–
Deposit for acquisition of an investment	*11*	**–**	1,000	**–**	–
		58,245	71,705	**880**	20,754
Current assets					
Inventories	*13*	**7,632**	13,309	**–**	–
Trade and other receivables	*12*	**1,743**	4,652	**57**	59
Cash and cash equivalents	*14*	**1,040**	1,673	**7**	17
Loans to subsidiaries	*8*	**–**	–	**825**	1,730
		10,415	19,634	**889**	1,806
Total assets		**68,660**	91,339	**1,769**	22,560
EQUITY					
Equity attributable to the Company's equity holders					
Ordinary shares	*16*	**4,278**	4,278	**4,278**	4,278
Share premium		**7,652**	7,652	**7,652**	7,652
Other reserves	*17*	**2,345**	4,868	**20,581**	20,581
Accumulated losses		**(27,584)**	(17,790)	**(32,921)**	(11,617)
		(13,309)	(992)	**(410)**	20,894
Minority interest	*18*	**1,000**	1,000	**–**	–
Total (deficit)/equity		**(12,309)**	8	**(410)**	20,894

Statements of Financial Position

As at 31st December, 2009
(All amounts in United States dollars unless otherwise stated)

		Group		Company	
	Note	**2009 $'000**	2008 $'000	**2009 $'000**	2008 $'000
LIABILITIES					
Non-current liabilities					
Borrowings	*20*	**49,974**	48,947	**–**	–
Current liabilities					
Loans from subsidiaries	*8*	**–**	–	**1,002**	950
Trade and other payables	*19*	**14,030**	23,903	**1,177**	716
Current income tax liabilities		**98**	98	**–**	–
Bank overdrafts	*14&20*	**2,877**	2,521	**–**	–
Borrowings	*20*	**13,990**	15,862	**–**	–
		30,995	42,384	**2,179**	1,666
Total liabilities		**80,969**	91,331	**2,179**	1,666
Total (deficit)/equity and liabilities		**68,660**	91,339	**1,769**	22,560
Net current (liabilities)/assets		**(20,580)**	(22,750)	**(1,290)**	140
Total assets less current liabilities		**37,665**	48,955	**(410)**	20,894

The consolidated financial statements on pages 23 to 84 were approved by the Board of Directors on 8th April, 2010 and were signed on its behalf.

BUDIONO WIDODO
Chairman

SARDJONO WIDODO
Managing Director

The notes on pages 29 to 84 are an integral part of these consolidated financial statements.

Consolidated Income Statement

For the year ended 31st December, 2009
(All amounts in United States dollars unless otherwise stated)

	Note	Year ended 31st December 2009 $'000	2008 $'000
Continuing operations:			
Revenue	6	**50,448**	94,706
Cost of sales	23	**(52,223)**	(85,694)
Gross (loss)/profit		**(1,775)**	9,012
Distribution costs	23	**(4,788)**	(11,255)
Administrative expenses	23	**(6,843)**	(8,506)
Other gains-net	22	**556**	1,795
Provision for impairment losses on property, plant and equipment	23	**–**	(430)
Operating loss		**(12,850)**	(9,384)
Finance costs	25	**(2,184)**	(3,591)
Share of loss of an associate	10	**(277)**	(195)
Loss before income tax		**(15,311)**	(13,170)
Income tax	26	**–**	–
Loss for the year from continuing operations		**(15,311)**	(13,170)
Discontinued operations:			
Profit/(Loss) for the year from discontinued operations	15	**5,517**	(23,282)
Loss for the year		**(9,794)**	(36,452)
Attributable to:			
Company's equity holders		**(9,794)**	(36,452)
Minority interest		**–**	–
		(9,794)	(36,452)
(Loss)/Earnings per share for loss from continuing operations and profit/(loss) from discontinued operations attributable to the Company's equity holders during the year (expressed in United States cents per share)			
Basic (loss)/earnings per share			
From continuing operations	28	**(1.15)**	(1.00)
From discontinued operations	28	**0.41**	(1.74)
		(0.74)	(2.74)
Diluted (loss)/earnings per share			
From continuing operations	28	**(1.15)**	(1.00)
From discontinued operations	28	**0.41**	(1.74)
		(0.74)	(2.74)
Dividends		**–**	–

The notes on pages 29 to 84 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31st December, 2009
(All amounts in United States dollars unless otherwise stated)

	Year ended 31st December	
	2009	2008
	$'000	$'000
Loss for the year	**(9,794)**	(36,452)
Other comprehensive loss:		
Currency translation differences	**(2,523)**	(60)
Total comprehensive loss for the year	**(12,317)**	(36,512)
Total comprehensive loss attributable to:		
Company's equity holders	**(12,317)**	(36,512)
Minority interest	**–**	–
Total comprehensive loss for the year	**(12,317)**	(36,512)

Consolidated Statement of Changes in Equity

For the year ended 31st December, 2009
(All amounts in United States dollars unless otherwise stated)

		Attributable to the Company's equity holders					
	Note	Ordinary shares $'000	Share premium $'000	Other reserves $'000	Retained earnings/ (Accumulated losses) $'000	Minority interest $'000	Total equity/ (deficit) $'000
Balance at 1st January, 2008		4,278	7,652	4,928	18,662	1,000	36,520
Comprehensive loss							
Loss for the year		–	–	–	(36,452)	–	(36,452)
Other comprehensive loss:							
Currency translation differences	*17(a)*	–	–	(60)	–	–	(60)
Total comprehensive loss		–	–	(60)	(36,452)	–	(36,512)
Balance at 31st December, 2008		4,278	7,652	4,868	(17,790)	1,000	8
Balance at 1st January, 2009, as per above		**4,278**	**7,652**	**4,868**	**(17,790)**	**1,000**	**8**
Comprehensive loss							
Loss for the year		**–**	**–**	**–**	**(9,794)**	**–**	**(9,794)**
Other comprehensive loss:							
Currency translation differences	*17(a)*	**–**	**–**	**(2,523)**	**–**	**–**	**(2,523)**
Total comprehensive loss		**–**	**–**	**(2,523)**	**(9,794)**	**–**	**(12,317)**
Balance at 31st December, 2009		**4,278**	**7,652**	**2,345**	**(27,584)**	**1,000**	**(12,309)**

The notes on pages 29 to 84 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31st December, 2009
(All amounts in United States dollars unless otherwise stated)

	Note	Year ended 31st December 2009 $'000	2008 $'000
Cash flows from operating activities			
Cash (used in)/generated from operations	29	**(2,849)**	5,279
Interest paid	25	**(2,184)**	(3,861)
Net cash (used in)/generated from operating activities		**(5,033)**	1,418
Cash flows from investing activities			
Acquisition of a subsidiary, net of cash acquired		**–**	6
Purchase of property, plant and equipment (PPE)		**(82)**	(2,621)
Proceeds from disposal of PPE	29	**19**	172
Proceeds from disposal of subsidiaries	15	**46**	–
Refund of deposit for acquisition of an investment	11	**1,000**	–
Advance to an associate		**–**	(700)
Interest received	22	**–**	16
Net cash generated from/(used in) investing activities		**983**	(3,127)
Cash flows from financing activities			
Proceeds from borrowings		**3,693**	9,752
Repayments of borrowings		**(501)**	(13,754)
Repayment of principal portion of finance leases		**(165)**	(238)
Net cash generated from/(used in) financing activities		**3,027**	(4,240)
Net decrease in cash, cash equivalents and bank overdrafts		**(1,023)**	(5,949)
Cash, cash equivalents and bank overdrafts at beginning of the year	14	**(848)**	5,744
Exchange gains/(losses) on cash, cash equivalents and bank overdrafts		**34**	(643)
Cash, cash equivalents and bank overdrafts at end of the year	14	**(1,837)**	(848)

The notes on pages 29 to 84 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2009
(All amounts in United States dollars unless otherwise stated)

1. GENERAL INFORMATION

Pacific Plywood Holdings Limited ("the Company") was incorporated in Bermuda on 9th May, 1994. The address of its registered office is Canon's Court, 22 Victoria Street, Hamilton, HM12, Bermuda.

The Company is an investment holding company. Its subsidiaries (together with the Company hereafter collectively referred to as "the Group") are principally engaged in the manufacture, distribution and sale of plywood, veneer, jamb and moulding, structural, flooring and other wood related products.

The Company's shares have been listed on The Stock Exchange of Hong Kong Limited ("the Stock Exchange") since 20th November, 1995.

These consolidated financial statements are presented in United States dollars ("$"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 8th April, 2010.

2. GOING CONCERN

As at 31st December, 2009, the Group had net current liabilities of $20,580,000 (2008: $22,750,000) and outstanding borrowings and bank overdrafts amounted to approximately $66,841,000 (2008: $67,330,000), out of which approximately $16,867,000 (2008: $18,383,000) was due for repayment and renewal within the next twelve months. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

The Group intends to maintain its strong business relationship with its bankers to maintain their continuing support and is actively discussing with its bankers for the renewal of short term banking facilities when they fall due in 2010. The Directors are confident that the short term banking facilities will be renewed.

On 29th May, 2009, the Group entered into an agreement with a purchaser, under which the Group agreed to sell and the purchaser agreed to acquire all the issued shares in the capital of Ankan (China) Holdings Limited ("ACHL"), which had been in a loss and net cash outflow position for years (Note 15) for a consideration of US$50,000, and the transaction was completed on 2nd June, 2009.

On 2nd March, 2010, the Company entered into a placing agreement with Grand Vinco Capital Limited (the "Placing Agent"), pursuant to which, the Placing Agent agreed to place, on best effort basis, up to 265,540,000 shares at a price of HK$0.158 per share, for and on behalf of the Company. On 29th March, 2010, the transaction was completed and 265,540,000 shares were successfully placed to not less than six placees, who and (where a corporation) whose ultimate beneficial owners are not connected persons of the Company and are independent of the Company and its connected persons. The aggregate amount of approximately HK$41,955,000 (equivalent to approximately US$5,381,000) was received by the Company.

With the disposal of ACHL and its subsidiaries (together the "ACHL Group"), the implementation of other cost-cutting measures, the financing support from the shareholders and the ongoing support from its bankers, the Directors believe the Group should be able to generate sufficient cashflows from future operations to cover its operating costs and to meet its financing commitments. Therefore, the Directors are satisfied that the Group will be able to meet its financial obligations as and when they fall due for the twelve months from 31st December, 2009.

The Directors are confident that the Group will continue to obtain the ongoing support from its bankers, and accordingly, the Directors are of the opinion that it is appropriate to prepare the consolidated financial statements on the going concern basis. The consolidated financial statements do not include any adjustments relating to the carrying amount and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") under the historical cost convention.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 5.

(a) The following new and amended HKFRSs have been adopted by the Group as of 1st January, 2009.

HKFRS 7 (amendment) Financial Instruments – Disclosures

The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.

HKAS 1 (revised) Presentation of financial statements

The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

HKFRS 2 (amendment) Share-based payment

This amendment deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation there of subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. As the share options issued under the share option scheme adopted by the Company were all granted before 7th November, 2002, the aforementioned provisions of HKFRS 2 are not applicable to the share options outstanding as at 31st December, 2009 according to the transitional provisions of HKFRS 2. The amendment does not have a material impact on the Group's or Company's financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Basis of preparation (Continued)

(a) The following new and amended HKFRSs have been adopted by the Group as of 1st January, 2009 (Continued)

HKAS 23 (revised) Borrowing Costs

The revised standard requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The revised standard is currently not applicable to the Group as there are no qualifying assets.

HKFRS 8 Operating segments

HKFRS 8 replaces HKAS 14, 'Segment reporting', and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in a decrease in the number of reportable segments presented. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker. Comparatives for 2008 in note 6 have been restated. However, such restatement in note disclosure does not have any impact on the balance sheets.

(b) The following standards, amendments and interpretations to existing standards are not yet effective for 2009 and have not been early adopted by the Group

HK(IFRIC) 17 Distribution of non-cash assets to owners[1]

The interpretation is part of the HKICPA's annual improvements project published in April/May 2009. This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. HKFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable. The Group and Company will apply HK(IFRIC) 17 from 1st January, 2010. It is not expected to have a material impact on the Group's or Company's financial statements.

HKAS 27 (revised) Consolidated and separate financial statements[1]

The revised standard requires the effects of all transactions with minority interest to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognized in profit or loss. The Group will apply HKAS 27 (revised) prospectively to transactions with minority interest from 1st January, 2010.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Basis of preparation (Continued)

(b) The following standards, amendments and interpretations to existing standards are not yet effective for 2009 and have not been early adopted by the Group (Continued)

HKFRS 3 (revised) Business combinations[1]

The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair vale or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply HKFRS 3 (revised) prospectively to all business combinations from 1st January, 2010.

HKAS 38 (amendment) Intangible Assets[1]

The amendment is part of the HKICPA's annual improvements project published in April/May 2009 and the Group and Company will apply HKAS 38 (amendment) from the date HKFRS 3 (revised) is adopted. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives. The amendment will not result in a material impact on the Group's or Company's financial statements.

HKFRS 5 (amendment) Measurement of non-current assets (or disposal groups) classified as held for sale[2]

The amendment is part of the HKICPA's annual improvements project published in April/May 2009. The amendment provides clarification that HKFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of HKAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of HKAS 1. The Group and Company will apply HKFRS 5 (amendment) from 1st January, 2010. It is not expected to have a material impact on the Group's or Company's financial statements

HKAS 1 (amendment) Presentation of financial statements[2]

The amendment is part of the HKICPA's annual improvements project published in April/May 2009. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The Group and Company will apply HKAS 1 (amendment) from 1st January, 2010. It is not expected to have a material impact on the Group's or Company's financial statements.

HKFRS 2 (amendment) Group cash-settled share-based payment transactions[2]

In addition to incorporating HK(IFRIC)-Int 8, 'Scope of HKFRS 2', and HK(IFRIC)-Int 11, 'HKFRS 2 – group and treasury share transactions', the amendment expand on the guidance in HK(IFRIC)-Int 11 to address the classification of group arrangements that were not covered by the interpretation. The new guidance is not expected to have a material impact on the Group's financial statements.

(All amounts in United States dollars unless otherwise stated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Basis of preparation (Continued)

(b) The following standards, amendments and interpretations to existing standards are not yet effective for 2009 and have not been early adopted by the Group (Continued)

HKAS 24 (revised)	Related party disclosures[4]

The revised standard introduces an exemption from all of the disclosure requirements of HKAS 24 for transactions among government-related entities and the government. Those disclosures are replaced with a requirement to disclose:

– the name of the government and the nature of their relationship;
– the nature and amount of any individually-significant transactions; and
– the extent of any collectively-significant transactions qualitatively or quantitatively.

It also clarifies and simplifies the definition of a related party.

(c) The following standards, amendments and interpretations to existing standards are not yet effective for 2009 and are not relevant to the Group's operations:

HKFRS 1 (revised)	First-time adoption of HKFRSs[1]
HKFRS 9	Financial instruments[5]
HKAS 32 (amendment)	Classification of rights issue[2]
HKAS 39 (amendment)	Eligible hedge items[1]
HK(IFRIC) – Int 14 (amendment)	Prepayments of a minimum funding requirement[4]
HK(IFRIC) – Int 17	Distributions of non-cash assets to owners[1]
HK(IFRIC) – Int 19	Extinguishing financial liabilities with equity instruments[3]

Notes:

1 Effective for annual period beginning on or after 1st July, 2009.
2 Effective for annual period beginning on or after 1st January, 2010.
3 Effective for annual period beginning on or after 1st July, 2010.
4 Effective for annual period beginning on or after 1st January, 2011.
5 Effective for annual period beginning on or after 1st January, 2013.

(d) Financial information of Dalian Global Wood Products Company Limited ("Dalian Global")

Dalian Global was a PRC subsidiary of the Company. It is a cooperative joint venture and its scope of business was the manufacture and sale of wood products. As a result of the worldwide financial turmoil in 2008, the operating environment of Dalian Global became extremely difficult. After consideration for the interests of the Group, the Directors decided in November 2008 to discontinue the operation of Dalian Global, which might have resulted in a possible liquidation of Dalian Global.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Basis of preparation (Continued)

(d) Financial information of Dalian Global Wood Products Company Limited ("Dalian Global") (Continued)

After the discontinuation of Dalian Global's operation, it was the understanding of the Group that certain assets of Dalian Global had been frozen by the local court and access to the manufacturing facilities, in which most of its accounting records and related supporting documents were located, had been blocked. As a result, the Group was unable to gain access to the accounting records and related supporting documents of Dalian Global.

In June 2009, the Group disposed of its entire PRC business by selling ACHL Group, in which Dalian Global was a subsidiary (Note 15). Dalian Global ceased to be a subsidiary of the Company from June 2009 onwards.

To prepare the 2009 financial statements, the management worked with the purchaser of ACHL Group to update the financial status of Dalian Global and tried to obtain access to Dalian Global's accounting records in order to compile its financial statements before the disposal. However, the purchaser was unable to uplift the freeze on the assets. In addition, the Group was no longer in a position to have direct participation since ACHL Group was no longer associated with the Company. Consequently, the management is still unable to obtain the updated financial information of Dalian Global based on its books and records.

Nevertheless, the financial information of Dalian Global included in both 2008 and 2009 consolidated financial statements has been prepared by the management applying their best estimates and judgment based on Dalian Global's situation. The 2008 financial information of Dalian Global was prepared by management based on Dalian Global's management accounts and related reports made up to August 2008, after making the necessary estimates and adjustments including impairment provision for trade and other receivables, inventory provision, impairment provision for property, plant and equipment, compensation to employees, and provision for an onerous contract. For the first half of 2009 before Dalian Global was disposed, Dalian Global was dormant as the Group understands that the assets were still frozen by the court. The 2009 financial statements including the profit and loss on disposal were prepared on this basis.

3.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Consolidation (Continued)

(a) *Subsidiaries* (Continued)

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the consolidated income statement.

Inter-company transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary in the consolidated financial statements to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses (Note 3.6). The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(b) *Minority interest*

The Group applies a policy of treating transactions with minority interests as transactions with equity holders of the Company. For purchases from minority interest, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to minority interest are also recorded in equity.

If losses applicable to the minority shareholder in a consolidated subsidiary exceed the minority interest in the subsidiary's equity, the excess, and any further losses applicable to the minority, are allocated against the majority interest except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. If the subsidiary subsequently reports profits, such profits are allocated to the majority interest until the minority's share of losses previously absorbed by the majority has been recovered.

(c) *Associates*

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss. See note 3.6 for the impairment of investment in associates.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Consolidation (Continued)

(c) Associates (Continued)

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

In the Company's balance sheet the investments in associated companies are stated at cost less provision for impairment losses (Note 3.6). The results of associated companies are accounted for by the Company on the basis of dividend received and receivable.

3.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

3.4 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated income statement within 'finance income or cost'. All other foreign exchange gains and losses are presented in the consolidated income statement within 'other (losses)/gains – net'.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting exchange differences are recognized as a separate component of equity.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4 Foreign currency translation (Continued)

(c) Group companies (Continued)

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognized in the consolidated income statement as part of the gain or loss on sale.

3.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged in the consolidated income statement during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives. The annual rates are as follows:

Buildings	2 – 3%
Leasehold improvements	Over the shorter of expected useful life and period of the lease
Plant and machinery	6 – 10%
Furniture, fittings and equipment	10 – 20%
Motor vehicles	12.5 – 20%
Jetty	2%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 3.6).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within 'other (losses)/gains – net', in the consolidated income statement.

Construction in progress is measured at actual cost. Actual cost comprises construction costs, other costs necessary to bring the fixed assets ready for their intended use. Construction in progress is transferred to fixed assets when the assets are ready for their intended use, and depreciation begins from the following month.

3.6 Impairment of investments in subsidiaries, associates and non-financial assets

Assets that have an indefinite useful life, are not subject to amortization and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6 Impairment of investments in subsidiaries, associates and non-financial assets (Continued)

Impairment testing of the investments in subsidiaries or associates is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary or associate in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

Where an impairment loss subsequently reversed, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the consolidated income statement.

3.7 Leasehold land

Prepayments made for leasehold land are stated at cost less accumulated amortization and accumulated impairment losses (if any). Prepayments mainly represents consideration paid for the rights to use the land on which various plants and buildings are situated for a certain period from the date the respective right was granted. Amortization of leasehold land prepayment is calculated on a straight-line basis over the period of the lease.

3.8 Inventories

Inventories comprise raw materials, work-in-progress and finished goods are stated at the lower of cost and net realizable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

3.9 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognized in the consolidated income statement within administrative expenses. When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are recorded as 'other gains – net' in the consolidated income statement.

3.10 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statements of financial position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11 Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. Financial liabilities (including trade payables) are initially measured at fair value, and are subsequently measure at amortized cost, using the effective interest method. An equity instrument is any contract that does not meet the definition of financial liability and evidences a residual interest in the assets of the Group after deducting all of its liabilities.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. After initial recognition, an issuer of such a contract shall measure it at the higher of the best estimate of the obligation and the amount initially recognized less, when appropriate, cumulative amortization calculated to recognize the fee income earned on a straight line basis over the life of the guarantee contract.

Ordinary shares are classified as equity. Incremental costs, net of tax, directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

3.12 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Borrowing costs are interest and other costs incurred by an entity in connection with the borrowing of funds. Borrowing costs shall be recognized as an expense in the period in which they are incurred.

3.13 Current and deferred income tax

The tax expense for the period comprises current and deferred income tax. Tax is recognized in the consolidated income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 Current and deferred income tax (Continued)

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

3.14 Employee benefits

(a) *Pension obligations*

Group companies operate a number of defined contribution plans, the assets of which are generally held in separate administered funds. The retirement plans are generally funded by payments from employees and by the relevant Group companies. A defined contribution plan is a pension plan under which the Group pays fixed contributions to publicly or privately administered pension insurance plans on a mandatory, contracted, or voluntary basis. Once the contribution have been paid, the Group has no legal or constructive obligations to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Details of the Group's employee retirement benefits are set out in note 32.

The Group's contributions to defined contribution pension plans are charged to the consolidated income statement in the period to which the contributions relate.

(b) *Employee leave entitlements*

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

3.15 Share-based payments

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions;

- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and

- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.15 Share-based payments (Continued)

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognizes the impact of the revision to original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity.

The cash subscribed for the shares issued when the options are exercised is credited to share capital (nominal value) and share premium, net of any directly attributable transaction costs.

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognized over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

However, as the share options issued under the share option scheme adopted by the Company were all granted before 7th November, 2002, the above provisions of HKFRS 2 are not applicable to the share options outstanding as at 31st December, 2009 according to the transitional provisions of HKFRS 2.

3.16 Provisions

Provisions for restructuring costs and legal claims are recognized when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

3.17 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of goods

Revenue from the sales of goods is recognized on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

(b) Interest income

Interest income is recognized on a time-proportion basis using the effective interest method.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.18 Leases (as the lessee)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

3.19 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's and Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

4. FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

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

Risk management is carried out by a corporate finance unit in Singapore (CFU) under the supervision and guidelines approved by the Executive Committee (ExCo). CFU identifies and evaluates financial risks in close co-operation with the Group's operating units. The ExCo provides written guidelines for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest-rate risk, credit risk, use of non-derivative financial instruments, and investment of excess liquidity.

(a) Market risk

(i) Currency risk

Foreign exchange risk arises when future commercial translation or recognized assets and liabilities are denominated in a currency that is not the entity's functional currency. The Group mainly operates in Malaysia. The Group is exposed to foreign exchange risk primarily from Malaysian Ringgit with respect to United States dollars.

The Group has not used any forward contracts or currency borrowings to hedge its exposure as the cost-benefit is considered not effective.

4. FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Currency risk (Continued)

As at 31st December, 2008 and 2009, certain of the Group's borrowings were denominated in United States dollars and Malaysian Ringgit, details of which have been disclosed in note 20. Malaysian Ringgit experienced certain appreciation in 2009 which is the major reason for the exchange losses for the Malaysian subsidiary whose creditors and trade facilities were denominated in Malaysian Ringgit recognized by the Group for the year ended 31st December, 2009. Further appreciation or depreciation of Malaysian Ringgit against United States dollars will affect the Group's financial position and results of operations.

At 31st December, 2009, if Malaysian Ringgit had weakened/strengthened by 5% against United States dollars, with all other variables held constant, post-tax loss for the year would have been $1,007,000 (2008: $861,000) lower/higher, mainly as a result of foreign exchange gains/losses on translation of Malaysian Ringgit denominated trade creditors and trade facilities balances.

(ii) Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets except for the cash and cash equivalents, details of which have been disclosed in note 14, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest-rate risk arises from long-term borrowings, details of which have been disclosed in note 20. Long-term borrowings issued at variable rates expose the Group to cash flow interest-rate risk, which is partially offset by cash held at variable rates. Long-term borrowings issued at fixed rates expose the Group to fair value interest-rate risk. As at 31st December, 2009 and 2008, the Group's long-term borrowings at variable rate were denominated in United States dollars.

The Group's long-term borrowings at fixed rates was denominated in Singapore dollars, and exposed the Group to fair value interest-rate risk.

The Group analyzes and manages its interest rate exposure on an on-going basis taking into consideration refinancing, renewal of existing positions, and alternative financing, with the primary objectives of limiting the extent to which net interest expense could be impacted from an adverse movement in interest rates.

At 31st December, 2009, if interest rates on borrowings denominated United States dollars had been 20 basis points higher/lower with all other variables held constant, post-tax loss for the year would have been $69,000 (2008: $65,000) higher/lower, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

The carrying amounts of cash and cash equivalents, trade and other receivables and amounts due from an associate included in the consolidated balance sheet represent the Group's maximum exposure to credit risk in relation to its financial assets.

Substantially all of the Group's cash and cash equivalents are held in major financial institutions, which management believes are of high credit quality.

4. FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(b) *Credit risk* (Continued)

The Group is exposed to a relatively high concentration of credit risk in terms of receivable as the Group's sales to its five largest customers were more than 50% of its total sales for the year ended 31st December, 2009. The Group normally grants credit terms of not more than 180 days to existing customers without collaterals. Aging analysis of the Group's trade receivables is disclosed in note 12. Management makes periodic collective assessment as well as individual assessment on the recoverability of trade and other receivables based on historical payment records, the length of the overdue period, the financial strength of the debtors and whether there are any disputes with the relevant debtors. The Directors are of the opinion that adequate provision for uncollectible receivables has been made.

During the years ended 31st December, 2009 and 2008, the Group's sales to top 5 customers accounted for approximately 50.19% and 52.35%, respectively of the total sales. Out of the top 5 customers, the Group's sales to the largest customer, an independent third party amounted to $12,705,000 (2008: $16,248,000) for the year ended 31st December, 2009. As at 31st December, 2009, trade receivable balance due from the largest customer amounted to Nil (2008: $1,318,000). The Group aims to maintain long-term relationship with reputable customers in the expansion of its business.

For other receivables and due from an associated company, the Group's management regularly monitors the balances; all these balances are due from counterparties with a strong financial position.

(c) *Liquidity risk*

Liquidity risk is the risk that the Group is unable to meet its current obligations when they fall due. Prudent liquidity risk management includes sufficient cash and the ability to close out market positions.

Due to tight liquidity as a result of its previous unfavourable financial performance, the Group intends to maintain its strong business relationship with its bankers to gain their continuing support and is actively discussing with its bankers for committed credit facilities and the renewal of short term banking facilities when they fall due.

The table below analyzes the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

4. FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

Comparative information has been restated as permitted by the amendments to HKFRS 7 for the liquidity risk disclosures.

	Less than 1 year $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000
Group				
At 31st December, 2009				
Borrowings (excluding finance lease liabilities)	15,438	6,376	20,674	30,780
Finance lease liabilities	106	14	–	–
Bank overdrafts	2,877	–	–	–
Trade and other payables	12,775	–	–	–
At 31st December, 2008				
Borrowings (excluding finance lease liabilities)	20,343	6,155	24,140	38,643
Finance lease liabilities	181	106	14	–
Bank overdrafts	2,521	–	–	–
Trade and other payables	19,881	–	–	–
Company				
At 31st December, 2009				
Trade and other payables	550	–	–	–
At 31st December, 2008				
Trade and other payables	529	–	–	–

The management makes every possible effort to reduce the liquidity risk as described in note 2.

4.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt.

The Group manages its operating cashflow in order to achieve optimum utilization and certain costs-cutting measures are implemented to streamline its operating costs.

4. FINANCIAL RISK MANAGEMENT (Continued)

4.2 Capital risk management (Continued)

The gearing ratios at 31st December, 2009 and 2008 were as follows:

	2009 $'000	2008 $'000
Total borrowings *(Note 20)*	**66,841**	67,330
Less: Cash and cash equivalents *(Note 14)*	**(1,040)**	(1,673)
Net debt	**65,801**	65,657
Total (deficit)/equity	**(12,309)**	8
Total capital	**53,492**	65,665
Gearing ratio (net debt to total capital)	**123%**	100%

The increase in the gearing ratio during 2009 resulted primarily from the significant loss suffered by the Group. The Group monitors its current and expected liquidity requirements to ensure it maintains sufficient cash and cash equivalents and has available funding through adequate amount of committed credit facilities to meet its working capital requirements.

4.3 Fair value estimation

The carrying amounts of the Group's current financial assets, including cash and cash equivalents, trade and other receivables and the Group's current financial liabilities including trade and other payables and current borrowings approximate their fair values due to their short maturities.

The nominal values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

5. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

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

5.1 Going concern

The Group's management's assessment of the going concern assumption involves making a judgment, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. Major events or conditions, which may give rise to business risks, that individually or collectively may cast significant doubt about the going concern assumption are set out in note 2 to the consolidated financial statements.

5.2 Useful lives of plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

5. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (Continued)

5.3 Estimated impairment of property, plant and equipment

The Group assesses annually whether property, plant and equipment have an indication of impairment, in accordance with the accounting policy stated in note 3.6.

For the purposes of impairment reviews on property, plant and equipment, the recoverable amounts have been determined based on value-in-use calculations. These calculations require the use of judgments and estimates. Management judgment is required in the area of asset impairment particularly in assessing (i) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate; and (ii) preparing the budgets taking into account actual and prior year performance, expected unit price, sales volume, distribution cost, fixed and variable cost per unit and market performance. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to the consolidated income statement.

During the year, the Group assessed the recoverable amount of property, plant and equipment and no impairment was determined.

5.4 Estimated provision for doubtful debts

The Group makes provision for doubtful debts based on an assessment of the recoverability of trade and bill receivables and other receivables. Provisions are applied to trade and bill receivables and other receivables where events or changes in circumstances indicate that the balances may not be collectible. Receivables that are individually significant are subject to separate impairment assessment, if there is objective evidence that the Group will not be able to collect the full amounts according to the original terms, a provision for impairment of the receivable is established at the difference between the carrying amount of the receivable and the present value of estimated future cash flows. Where the expectation is different from the original estimate, such difference will impact carrying value of trade and bill receivables and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

5.5 Estimated write-down of inventories to net realizable value

The Group write-down inventories to net realizable value on an assessment of the realizability of inventories. Write-downs on inventories are recorded where events or changes in circumstances indicate that the balances may not be fully realizable. The identification of write-downs requires the use of judgment and estimates. Where the expectation is different from the original estimate, such difference will impact carrying value of inventories in the year in which such estimate has been changed.

5.6 Recognition of deferred income tax

Deferred income tax assets are recognized to the extent it is probable that taxable profit will be available in future against which they can be utilized. Management also exercises judgment in assessing the likelihood that business plans will be achieved and that the deferred income tax assets are recoverable. The Group recognized deferred income tax assets of $10,884,000 related to Manuply Wood Industries (S) Sdn. Bhd. ("Manuply")'s unutilized tax losses, capital allowance and reinvestment allowance. The unprovided deferred income tax assets related to reinvestment allowance amounted to approximately $5,262,000 (Note 21) of Manuply. In assessing recognition of deferred income tax assets related to Manuply, the assumptions used by the management are consistent with those used for impairment assessment of property, plant and equipment (see note 5.3). Additionally, in making this assessment management also considered the probability that future taxable income will be available to utilize deferred income tax assets in the foreseeable future. The probability of taxable profits decreases over time.

6. SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal management reports provided to the chief operating decision-makers, who are the board of directors ("the Board").

The Board considers the business from a geographic perspective as well as from the business nature and assesses the performance of the operating segments based on a measure of adjusted earnings/(losses) before interest and tax ("EBIT"/"LBIT"). This measurement basis excludes the effects of non-recurring expenditure from the operating segments, such as restructuring costs, legal expenses and impairments when the impairment is the result of an isolated, non-recurring event. Interest income and expenditure are not included in the result of each operating segment that is reviewed by the Board.

Segment revenue and expenses represent items directly attributable to a segment and are determined before intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment.

Segment assets exclude deferred income tax assets, which are managed on a central basis and form a part of the reconciliation to total balance sheet assets.

Segment capital expenditure represents cost incurred during the year for the acquisition of segment non-current assets.

The segment results and other information for the year ended 31st December, 2009 are as follows:

	Manufacturing – Malaysia $'000	Trading $'000	All other segments $'000	Total continuing operations $'000	Total discontinued operations (Manufacturing – PRC) $'000	Total $'000
Segment revenue	47,577	2,871	–	50,448	–	50,448
Inter-segment revenue	–	–	–	–	–	–
Revenue (from external customers)	47,577	2,871	–	50,448	–	50,448
(Loss)/Earnings before interest and tax "(LBIT)/EBIT"	(8,771)	(232)	(3,847)	(12,850)	5,517	(7,333)
Depreciation and amortization	(6,062)	(15)	(463)	(6,540)	(803)	(7,343)
Provision for impairment losses on property, plant and equipment	–	–	–	–	–	–
Finance income	–	–	–	–	–	–
Finance costs	(860)	–	(1,324)	(2,184)	–	(2,184)
Share of loss of an associate	–	–	(277)	(277)	–	(277)
Income tax	–	–	–	–	–	–
Additions to non-current assets (other than deferred income tax assets)	82	–	–	82	–	82

6. SEGMENT INFORMATION (Continued)

As at 31st December, 2009

	Manufacturing – Malaysia $'000	Trading $'000	All other segments $'000	Total continuing operations $'000	Total discontinued operations (Manufacturing – PRC) $'000	Total $'000
Total assets (excluding deferred income tax assets)	46,253	1,112	16,435	63,800	–	63,800
Total assets include: interests in an associate	–	–	705	705	–	705

A reconciliation of total adjusted LBIT to total loss before income tax and discontinued operations is provided as follows:

	For the year ended 31st December, 2009 $'000
Adjusted LBIT for reportable segments	12,850
Finance costs	2,184
Share of loss of an associate	277
Loss before income tax and discontinued operations	15,311

Reportable segments' assets are reconciled to total assets as follows:

	31st December, 2009 $'000
Total segment assets	63,800
Deferred income tax assets	4,860
Total assets per consolidated statement of financial position	68,660

6. SEGMENT INFORMATION (Continued)

As at 31st December, 2009 (Continued)

The revenue from external customers by products for the year ended 31st December, 2009 is as follows:

	Continuing operations $'000	Discontinued operations $'000	Total $'000
Weather and boil proof plywood	27,004	–	27,004
Moisture resistant plywood	16,711	–	16,711
Flooring	5,028	–	5,028
Jambs and mouldings	663	–	663
Structural	365	–	365
Others	677	–	677
	50,448	–	50,448

The Company is domiciled in Hong Kong. The result of its revenue from external customers in Hong Kong and other countries for the year ended 31st December, 2009 are as follows:

	Continuing operations $'000	Discontinued operations $'000	Total $'000
South East Asia	20,862	–	20,862
Japan	9,867	–	9,867
Korea	6,321	–	6,321
Europe	4,835	–	4,835
The PRC	3,243	–	3,243
North America	753	–	753
Others	4,567	–	4,567
	50,448	–	50,448

During the year ended 31st December, 2009, the Group has the following major customer contributing 10% or more to the Group's revenue:

	Segment	Revenue $'000
Major customer (1)	Manufacturing – Malaysia	12,705

6. SEGMENT INFORMATION (Continued)

As at 31st December, 2009 (Continued)

At 31st December, 2009, the total of non-current assets other than interests in an associate and deferred income tax assets (there are no financial instruments, employment benefit assets and rights arising under insurance contracts) located in Hong Kong and other countries are as follows:

	Continuing operations $'000	Discontinued operations $'000	Total $'000
Malaysia	**37,177**	**–**	**37,177**
Singapore	**15,493**	**–**	**15,493**
Hong Kong	**3**	**–**	**3**
Others	**7**	**–**	**7**
	52,680	**–**	**52,680**

The segment results and other information for the year ended 31st December, 2008 are as follows:

	Manufacturing – Malaysia $'000	Trading $'000	All other segments $'000	Total continuing operations $'000	Total discontinued operations (Manufacturing – PRC) $'000	Total $'000
Segment revenue	89,351	6,908	–	96,259	9,973	106,232
Inter-segment revenue	(728)	(825)	–	(1,553)	(2,386)	(3,939)
Revenue (from external customers)	88,623	6,083	–	94,706	7,587	102,293
LBIT	(4,596)	(358)	(4,430)	(9,384)	(23,012)	(32,396)
Depreciation and amortization	(6,454)	(17)	(480)	(6,951)	(1,952)	(8,903)
Provision for impairment losses on property, plant and equipment	(430)	–	–	(430)	(5,884)	(6,314)
Finance income	8	3	–	11	5	16
Finance costs	(1,522)	(1)	(2,068)	(3,591)	(270)	(3,861)
Share of loss of an associate	–	–	(195)	(195)	–	(195)
Income tax	–	–	–	–	–	–
Additions to non-current assets (other than deferred income tax assets)	2,692	9	5	2,706	6	2,712

6. SEGMENT INFORMATION (Continued)
As at 31st December, 2008

	Manufacturing – Malaysia $'000	Trading $'000	All other segments $'000	Total continuing operations $'000	Total discontinued operations (Manufacturing – PRC) $'000	Total $'000
Total assets (excluding deferred income tax assets)	60,820	1,223	17,928	79,971	6,561	86,532
Total assets include: interests in an associate	–	–	981	981	–	981

A reconciliation of total adjusted LBIT to total loss before income tax and discontinued operations is provided as follows:

	For the year ended 31st December, 2008 $'000
Adjusted LBIT for reportable segments	9,384
Finance costs	3,591
Share of loss of an associate	195
Loss before income tax and discontinued operations	13,170

Reportable segments' assets are reconciled to total assets as follows :

	31st December, 2008 $'000
Total segment assets	86,532
Deferred income tax assets	4,807
Total assets per consolidated statement of financial position	91,339

6. SEGMENT INFORMATION (Continued)

As at 31st December, 2008 (Continued)

The revenue from external customers by products for the year ended 31st December, 2008 is as follows:

	Continuing operations $'000	Discontinued operations $'000	Total $'000
Weather and boil proof plywood	51,783	–	51,783
Flooring	20,367	–	20,367
Moisture resistant plywood	18,684	–	18,684
Jambs and mouldings	2,021	3,885	5,906
Structural	1,457	1,482	2,939
Others	394	2,220	2,614
	94,706	7,587	102,293

The Company is domiciled in Hong Kong. The result of its revenue from external customers in Hong Kong and other countries for the year ended 31st December, 2008 are as follows:

	Continuing operations $'000	Discontinued operations $'000	Total $'000
Europe	23,775	1,492	25,267
South East Asia	24,944	–	24,944
The PRC	16,642	211	16,853
Japan	14,971	1,184	16,155
Korea	7,845	415	8,260
North America	3,262	3,336	6,598
Others	3,267	949	4,216
	94,706	7,587	102,293

During the year ended 31st December, 2008, the Group has the following major customers contributing 10% or more to the Group's revenue:

	Segment	Revenue $'000
Major customer (1)	Manufacturing – Malaysia	16,248
Major customer (2)	Manufacturing – Malaysia	14,459

6. SEGMENT INFORMATION (Continued)

As at 31st December, 2008 (Continued)

At 31st December, 2008, the total of non-current assets other than deposit for acquisition of an investment, interests in an associate and deferred income tax assets (there are no financial instruments, employment benefit assets and rights arising under insurance contracts) located in Hong Kong and other countries are as follows:

	Continuing operations $'000	Discontinued operations $'000	Total $'000
Malaysia	43,207	–	43,207
Singapore	15,575	–	15,575
The PRC	–	6,107	6,107
Hong Kong	9	–	9
Others	19	–	19
	58,810	6,107	64,917

7. LEASEHOLD LAND – GROUP

The Group's interests in leasehold land represent prepaid operating lease payments and their net book value is analyzed as follows:

	2009 $'000	2008 $'000
Outside Hong Kong, held on:		
Malaysia – Leases of over 50 years	**2,897**	2,928

The leasehold land of the Group with a net book value of approximately $2,897,000 (2008 – $2,928,000) has been pledged as security for certain banking facilities of the Group (Note 31(b)).

	2009 $'000	2008 $'000
At 1st January	**2,928**	2,958
Amortization of prepaid operating lease payment	**(31)**	(31)
Exchange differences	**–**	1
At 31st December	**2,897**	2,928

8. INVESTMENTS IN AND LOANS TO/FROM SUBSIDIARIES – COMPANY

(a) Investments in subsidiaries

	2009 **$'000**	2008 $'000
Investments at cost – unlisted shares	**30,529**	30,529
Less: provision for impairment	**(29,649)**	(9,776)
	880	20,753

The impairment is related to the Company's investment in Ankan Holdings Limited, which suffered losses for the year ended 31st December, 2009.

The following is a list of the principal subsidiaries at 31st December, 2009:

Name	**Place of incorporation**	**Principal activities and place of operation**	**Particulars of issued share capital/paid up capital**	**Interest held**
Ankan Holdings Limited	British Virgin Islands ("BVI")	Investment holding, BVI	$45,000	*100%
Georich Trading Limited	BVI	Trading of veneer and plywood, Hong Kong	$2,510,000	*100%
Daunting Services Ltd.	BVI	Trading of plywood and other related products, Singapore	$50,000	**100%
Glowing Schemes Sdn. Bhd.	Malaysia	Dormant, Malaysia	Malaysian Ringgit 1,200,000	**100%
Manuply Wood Industries (S) Sdn. Bhd. ("Manuply")	Malaysia	Manufacture and sale of veneer and plywood, Malaysia	Malaysian Ringgit 55,000,000	**100%
Pacific Plywood Limited	Samoa	Trading of plywood and other wood products, Hong Kong	$3,000,000	**100%
Sevier Pacific Limited ("SPL")	BVI	Investment holding, BVI	$100	**100%
SMI Global Corporation	United States of America	Trading of wood products, United States of America	$1,000	*100%
SMI Management & Co. Pte. Ltd.	Singapore	Property holding and provision of management service, Singapore	Singapore dollars 20,000,000	**100%

* Shares held directly by the Company.
** Shares held indirectly by the Company.

(b) Loans to/from subsidiaries

The loans to/from subsidiaries are unsecured, interest free, denominated in United States dollars and repayable on demand.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2009
(All amounts in United States dollars unless otherwise stated)

9. PROPERTY, PLANT AND EQUIPMENT – GROUP

	Buildings $'000	Leasehold improvements $'000	Plant and machinery $'000	Furniture, fittings and equipment $'000	Motor vehicles $'000	Jetty $'000	Construction-in-progress ("CIP") $'000	Total $'000
At 1st January, 2008								
Cost	39,140	561	131,167	3,053	1,376	1,563	2,373	179,233
Accumulated depreciation	(10,138)	(425)	(81,135)	(2,399)	(1,091)	(450)	–	(95,638)
Accumulated impairment loss	–	–	(9,743)	–	–	–	–	(9,743)
Net book amount	29,002	136	40,289	654	285	1,113	2,373	73,852
Year ended 31st December, 2008								
Opening net book amount	29,002	136	40,289	654	285	1,113	2,373	73,852
Exchange differences	288	2	420	16	8	(1)	12	745
Additions	11	9	192	31	28	–	2,441	2,712
Disposals *(Note 29)*	–	(6)	(125)	(3)	–	–	–	(134)
Transfers	46	–	2,043	(4)	–	–	(2,085)	–
Depreciation charge *(Note 29)*	(1,310)	(62)	(7,267)	(132)	(70)	(31)	–	(8,872)
Impairment losses *(Note 29)*	–	–	(6,314)	–	–	–	–	(6,314)
Closing net book amount	28,037	79	29,238	562	251	1,081	2,741	61,989
At 31st December, 2008								
Cost	39,603	522	133,097	3,050	1,323	1,563	2,741	181,899
Accumulated depreciation	(11,566)	(443)	(87,264)	(2,488)	(1,072)	(482)	–	(103,315)
Accumulated impairment loss	–	–	(16,595)	–	–	–	–	(16,595)
Net book amount	28,037	79	29,238	562	251	1,081	2,741	61,989

	Buildings $'000	**Leasehold improvements $'000**	**Plant and machinery $'000**	**Furniture, fittings and equipment $'000**	**Motor vehicles $'000**	**Jetty $'000**	**Construction-in-progress ("CIP") $'000**	**Total $'000**
Year ended 31st December, 2009								
Opening net book amount	**28,037**	**79**	**29,238**	**562**	**251**	**1,081**	**2,741**	**61,989**
Exchange differences	**373**	**1**	**(3)**	**–**	**–**	**–**	**–**	**371**
Additions	**1**	**–**	**6**	**3**	**–**	**–**	**72**	**82**
Disposals *(Note 29)*	**–**	**–**	**(37)**	**–**	**(15)**	**–**	**–**	**(52)**
Transfers	**–**	**–**	**2,255**	**–**	**–**	**–**	**(2,255)**	**–**
Depreciation charge *(Note 29)*	**(983)**	**(55)**	**(6,099)**	**(93)**	**(50)**	**(32)**	**–**	**(7,312)**
Disposal of subsidiaries	**(3,522)**	**–**	**(1,236)**	**(215)**	**(116)**	**–**	**(206)**	**(5,295)**
Closing net book amount	**23,906**	**25**	**24,124**	**257**	**70**	**1,049**	**352**	**49,783**
At 31st December, 2009								
Cost	**33,916**	**535**	**102,313**	**2,399**	**955**	**1,562**	**352**	**142,032**
Accumulated depreciation	**(10,010)**	**(510)**	**(75,337)**	**(2,142)**	**(885)**	**(513)**	**–**	**(89,397)**
Accumulated impairment loss	**–**	**–**	**(2,852)**	**–**	**–**	**–**	**–**	**(2,852)**
Net book amount	**23,906**	**25**	**24,124**	**257**	**70**	**1,049**	**352**	**49,783**

9. PROPERTY, PLANT AND EQUIPMENT – GROUP (Continued)

Depreciation expense of $5,842,000 (2008: $7,518,000) has been charged in 'cost of sales' and $1,470,000 (2008: $1,354,000) in 'administrative expenses', respectively.

Certain property, plant and equipment of the Group with a net book value of approximately $49,723,000 (2008: $57,528,000) have been pledged as security for certain banking facilities of the Group (Note 31(a)).

Provision for impairment of approximately $13,722,000 has been reversed in the consolidated income statement for the year ended 31st December, 2009 as a result of the disposal of Dalian Global (2008: provision of impairment of $6,314,000). The accumulated impairment loss provision at 31st December, 2009 represented impairment for Manuply of approximately $2,852,000. The recoverable amounts of the property, plant and equipment of Manuply are based on the management's best estimates and value in use.

With the disposal of ACHL and its subsidiaries (hereinafter collectively referred to as the "ACHL Group"), the property, plant and equipment was disposed in the following categories:

	Buildings	Plant and machinery	Furniture, fittings and equipment	Motor vehicles	Construction-in-progress ("CIP")	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Disposal of subsidiaries						
Cost	6,168	29,795	508	325	206	37,002
Accumulated depreciation	(2,646)	(14,837)	(293)	(209)	–	(17,985)
Accumulated impairment loss	–	(13,722)	–	–	–	(13,722)
Net book amount	3,522	1,236	215	116	206	5,295

Vehicles and machinery includes the following amounts where the Group is a lessee under a finance lease:

	2009	2008
	$'000	$'000
Cost – capitalized finance leases	**670**	670
Accumulated depreciation	**(103)**	(55)
Net book amount	**567**	615

The Group leases various vehicles and machinery under non-cancellable finance lease agreements. The lease terms are 3 years, and ownership of the assets lie within the Group.

10. INTERESTS IN AN ASSOCIATE – GROUP

	2009 $'000	2008 $'000
At 1st January	**281**	–
Acquisition that had an investment in an associate	**–**	476
Capital injection	**20**	–
Share of loss	**(277)**	(195)
Equity interest in an associate	**24**	281
Amount due from an associate	**681**	700
At 31st December	**705**	981

The Group's share of the results of its principal associate, which is unlisted, and its aggregated assets and liabilities, are as follows:

Name	Country of incorporation	Assets $'000	Liabilities $'000	Revenues $'000	Loss $'000	Interest held
2008						
Segereka Sdn. Bhd.	Malaysia	1,786	1,196	295	(396)	49%
2009						
Segereka Sdn. Bhd.	Malaysia	**816**	**758**	**1,422**	**(572)**	**49%**

11. DEPOSIT FOR ACQUISITION OF AN INVESTMENT

In August 2007, the Group entered into a conditional agreement with an independent third party in connection with the acquisition of 49% interest in certain 40,000 acres logging concession in Malaysia. Total consideration for the above-mentioned acquisition was $2,000,000. Upon execution of the agreement, the Group paid a refundable deposit of $1,500,000 and the balance of $500,000 should be paid upon completion.

In April 2008, the Group entered into a supplemental agreement with the independent third party and completed the acquisition of 100% of the share capital of SPL, a company holding 49% interest in a limited company incorporated in Malaysia, which has certain interest in 10,000 acres logging concession in Malaysia. According to the supplemental agreement, the completion of the acquisition of 49% interest in the remaining 30,000 acres logging concession in Malaysia shall be completed within 12 months from the date of the supplemental agreement. On a pro-rata basis, $500,000 of the refundable deposit paid was utilized to acquire SPL and was accounted for cost of investment in subsidiaries. Since the balance of the refundable deposit in the amount of $1,000,000 was paid for the proposed acquisition of an investment, which was intended to be held for long-term, the deposit was classified as non-current assets as at 31st December, 2008.

Due to the political uncertainty in Malaysia resulting from the year 2008 general elections coupled with the continued worsening of the global financial crisis, the progress of the acquisition of the remaining 30,000 acres concession in Malaysia has been slow. However, the Group is determined to secure a more steady supply of logs in the future and had entered into a supplemental agreement to extend the completion date to 14th April, 2010.

11. DEPOSIT FOR ACQUISITION OF AN INVESTMENT (Continued)

The independent third party served a written notice on 7th December, 2009 to the Group, advising that the acquisition, transfer or procurement of certain interests in the remaining 30,000 acres logging concession could not be completed. The independent third party advised that subsequent to the financial tsunami which occurred in October 2008, the timber market collapsed and it was unlikely that timber concessions, which fulfill the profitability and operational requirements of the Group, may be available in the foreseeable future.

According to the supplemental agreement, in the event that the independent third party fails to complete the acquisition and transfer under the supplemental agreement, all liabilities of the parties under the supplemental agreement in relation to the acquisition of certain interests in 30,000 acres logging concession shall cease and no party shall have any claim against the others except that the US$1,000,000 shall get refunded to the Group, being the balance of the refundable deposit paid.

The Group accepted the termination on 8th December, 2009 and received the refundable deposit of US$1,000,000 accordingly.

12. TRADE AND OTHER RECEIVABLES

(a) Group

	2009 **$'000**	2008 $'000
Trade receivables	**1,375**	10,343
Bill receivables	**689**	481
Less: provision for impairment of trade receivables	**(912)**	(7,452)
Trade receivables – net	**1,152**	3,372
Other receivables		
Value-added tax ("VAT") refund receivable	**–**	14
Prepayments	**583**	465
Other receivables	**30**	823
Less: provision for other receivables	**(22)**	(22)
Other receivables – net	**591**	1,280
Total trade and other receivables	**1,743**	4,652

The carrying amounts of trade and other receivables approximate their fair value.

As at 31st December, 2009, trade receivables amounting to approximately $29,000 (2008: $209,000) were subject to floating charges as collateral for certain banking facilities of the Group (Note 31(d)).

Certain subsidiaries of the Group negotiated receivable balances on a with recourse basis with banks for cash during the year ended 31st December, 2009 and the outstanding amount as at 31st December, 2009 was $606,000 (2008: $229,000). The transactions have been accounted for as collateralized borrowings (Note 20).

As at 31st December, 2009, prepayments and other receivables amounting to approximately $500,000 (2008: $670,000) were subject to floating charges as collateral for certain banking facilities of the Group (Note 31(e)).

12. TRADE AND OTHER RECEIVABLES (Continued)

(a) Group (Continued)

The majority of the Group's sales are on letter of credit or documents against payment. At 31st December, 2009 and 2008, the aging analysis of the trade receivables were as follows:

	2009 **$'000**	2008 $'000
0 – 30 days	**463**	2,269
31 – 60 days	**–**	442
61 – 90 days	**–**	3
91 – 180 days	**–**	1,110
181 – 360 days	**–**	5,852
Over 360 days	**912**	667
	1,375	10,343

The credit quality of trade receivables that are not impaired can be assessed by reference to historical information about counterparty default rates:

	2009 **$'000**	2008 $'000
Counterparties without external credit rating		
Group 1	**151**	205
Group 2	**312**	2,686
	463	2,891

Group 1 – new customers
Group 2 – existing customers

For the existing customers, the risk of events of defaults is considered low.

As of 31st December, 2009, trade receivables of $29,000 (2008: $395,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade receivables is as follows:

	2009 **$'000**	2008 $'000
Up to 3 months	**29**	206
3 to 6 months	**–**	–
6 months to 1 year	**–**	168
Over 1 year	**–**	21
	29	395

12. TRADE AND OTHER RECEIVABLES (Continued)

(a) Group (Continued)

As of 31st December, 2009, trade receivables of $912,000 (2008: $7,452,000) were impaired and provided for. The individually impaired receivables mainly relate to customers, which are in unexpected difficult economic situations. The aging of these receivables is as follows:

	2009 $'000	2008 $'000
Less than 3 months	–	15
Over 3 months but within 6 months	–	1,107
Over 6 months	912	6,330
	912	7,452

The carrying amounts of the Group's trade receivables and other receivables are denominated in the following currencies:

Trade receivables	2009 $'000	2008 $'000
United States dollars	517	3,132
Chinese Renminbi	–	31
Malaysian Ringgit	635	209
	1,152	3,372

Other receivables	2009 $'000	2008 $'000
United States dollars	74	300
Hong Kong dollars	13	38
Chinese Renminbi	–	263
Malaysian Ringgit	500	670
Singapore dollars	4	9
	591	1,280
Trade and other receivables	1,743	4,652

12. TRADE AND OTHER RECEIVABLES (Continued)

(a) Group (Continued)

Movements on the provision for impairment of trade receivables are as follows:

	2009	2008
	$'000	$'000
At 1st January	**7,452**	660
Provision for receivable impairment	**8**	6,711
Receivables written off during the year as uncollectible	**(15)**	(13)
Disposal of subsidiaries	**(6,528)**	–
Exchange difference	**(5)**	94
At 31st December	**912**	7,452

Provision for impaired receivables has been included in administrative expense (Note 23). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

Provision for receivable impairment of $6,528,000 has been reversed as a result of the disposal of Dalian Global (2008: provision of $6,433,000), and provision for other entities of approximately $8,000 (2008: $278,000) has been provided.

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group does not hold any collateral as security.

(b) Company

	2009	2008
	$'000	$'000
Prepayments	**57**	57
Other receivables	**–**	2
Total trade and other receivables	**57**	59

13. INVENTORIES – GROUP

	2009 $'000	2008 $'000
Raw materials	**2,940**	4,800
Work-in-progress	**2,098**	3,334
Finished goods	**2,594**	5,175
	7,632	13,309

The cost of inventories recognized as expense and included in "cost of sales" amounted to $33,422,000 (2008: $55,997,000) from continuing operations (Note 23).

As at 31st December, 2009, inventories amounting to approximately $7,461,000 (2008: $13,116,000) were subject to floating charges as collateral for certain banking facilities of the Group (Note 31(c)).

The Group reversed approximately $618,000 (2008: $46,000) of a previous inventory write-down in the year of 2009. The amount reversed has been included in "cost of sales" in the consolidated income statement.

The Group made provision of $390,000 for Manuply (2008: $1,077,000) for the year ended 31st December, 2009. The amount provided for has been included in "cost of sales" in the consolidated income statement.

14. CASH AND CASH EQUIVALENTS – GROUP AND COMPANY

	Group		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Cash at bank and in hand	**1,040**	1,673	**7**	17
By currencies denominations:				
United States dollars	**731**	975	**–**	–
Malaysian Ringgit	**21**	554	**–**	–
Singapore dollars	**179**	94	**–**	–
Hong Kong dollars	**109**	46	**7**	17
Chinese Renminbi	**–**	4	**–**	–
	1,040	1,673	**7**	17
By credit rating*:				
A-	**599**	1,156	**7**	17
BBB-	**1**	2	**–**	–
Without Rating	**440**	515	**–**	–
	1,040	1,673	**7**	17

**Source: from the website of Standard & Poor's*

14. CASH AND CASH EQUIVALENTS – GROUP AND COMPANY (Continued)

Certain bank balances of the Group of approximately $17,000 (2008: $566,000) were subject to floating charges as collateral for certain banking facilities of the Group (Note 31(f)).

Cash, cash equivalents and bank overdrafts include the following for the purposes of the cash flow statement:

	Group		**Company**	
	2009 **$'000**	2008 $'000	**2009** **$'000**	2008 $'000
Cash and cash equivalents	**1,040**	1,673	**7**	17
Bank overdrafts (Note 20)	**(2,877)**	(2,521)	**–**	–
	(1,837)	(848)	**7**	17

15 DISCONTINUED OPERATIONS

As a result of the worldwide financial turmoil, the operating environment of the PRC subsidiary, Dalian Global became more challenging. Accordingly, after due consideration of the interests of the Group, the Board decided in November 2008 to discontinue the operation of Dalian Global. In June 2009, the Group successfully disposed ACHL, the indirect controlling shareholder of Dalian Global, to an independent third party for a consideration of US$50,000.

In November 2008, Dalian Global was discontinued and only Dalian Global was regarded as discontinued operation in the year 2008. In 2009, ACHL Group, which included Dalian Global, was disposed and the operating results of the entire ACHL Group were regarded as discontinued operations in 2009. Comparative statement was accordingly re-presented to show that ACHL Group was discontinued operations for year 2008.

15 DISCONTINUED OPERATIONS (Continued)

(a) Analysis of the financial results of the discontinued operations for the year ended 31st December, 2009 is as follows:

	2009 $'000	2008 $'000
Revenue	**–**	7,587
Cost of sales	**–**	(9,937)
Provision of inventories to net realizable value	**–**	(4,935)
Distribution costs	**–**	(287)
Administrative expenses	**(807)**	(3,441)
Other (loss)/gains – net	**(13)**	318
Provision for impairment of receivables	**–**	(6,433)
Provision for impairment loss on property, plant and equipment	**–**	(5,884)
Finance costs	**–**	(270)
Results from operating activities	**(820)**	(23,282)
Income tax	**–**	–
Results from operating activities, net of income tax	**(820)**	(23,282)
Gain on disposal of subsidiaries	**6,337**	–
Profit/(Loss) for the year	**5,517**	(23,282)

(b) Analysis of the cash flow of the discontinued operations is as follows:

	2009 $'000	2008 $'000
Operating cash flows	**(16)**	2,063
Investing cash flows	**–**	(1)
Financing cash flows	**–**	(1,277)
Exchange difference	**16**	(888)
Total cash flows	**–**	(103)

15 DISCONTINUED OPERATIONS (Continued)

(c) Effect of disposal on the financial position of the Group at the date of disposal:

	2009 $'000
Property, plant and equipment	**5,295**
Trade and other receivables	**450**
Cash and cash equivalents	**4**
Trade and other payables	**(5,173)**
Bank borrowings – short term	**(4,173)**
Cumulative translation adjustments	**(2,690)**
Net liabilities	**(6,287)**
Gain on disposal of subsidiaries	**6,337**
Proceeds	**50**

	$'000
Consideration received, satisfied in cash	**50**
Cash and cash equivalents disposed of	**(4)**
Net cash inflow	**46**

As explained in note 3.1(d), the Group has made the necessary estimates and adjustments to Dalian Global's management accounts before disposal by applying management's best estimates and judgement based on Dalian Global's situation. Dalian Global is a limited liability company incorporated under the laws of the PRC and its immediate holding company is a limited liability company incorporated under the laws of the British Virgin Islands. The Company and its other subsidiaries have not guaranteed any debts or liabilities of Dalian Global or its immediate holding company, and hence management is of the view that the Company and its other subsidiaries have no further liabilities in relation to Dalian Global.

16. ORDINARY SHARES – GROUP AND COMPANY

	Number of shares		Amount	
	2009 '000	2008 '000	**2009 $'000**	2008 $'000
Authorized – Ordinary shares of HK$0.025 each	**8,000,000**	8,000,000	**25,806**	25,806
Issued and fully paid – Ordinary shares of HK$0.025 each	**1,327,779**	1,327,779	**4,278**	4,278

16. ORDINARY SHARES – GROUP AND COMPANY (Continued)

(a) Movement of issued and fully paid ordinary shares

	Number of shares '000	Amount $'000
Balance at 1st January, 2008 and 31st December,2008 and 2009	1,327,779	4,278

(b) Share Options

Before the listing of the Company's shares on the Stock Exchange on 20th November, 1995, the Company adopted a share option scheme for employees on 17th October, 1995 ("Pre-IPO Option Scheme").

In compliance with the amended Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange, the Company terminated the Pre-IPO Option Scheme and adopted the current share option scheme (the "Scheme"), as approved by shareholders at the Annual General Meeting on 21st June, 2002. Upon the said termination, no further options could be granted under the Pre-IPO Option Scheme but in all other respects, the provisions of the Pre-IPO Option Scheme should remain in force and all outstanding options granted prior to the termination should continue to be valid and exercisable. Details of the Scheme have been set out in the "Letter from the Board" dated 13th May, 2002.

Under the Scheme, the Company may grant options to any participant, in the absolute discretion of the Board, who has made valuable contribution to the business of the Group. The subscription price will be a price determined by the Board and at least the highest of (a) the closing price of the shares as stated in the Stock Exchange's daily quotations sheets on the date of grant of the option, which must be a business day; (b) the average closing price of the shares as stated in Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option; and (c) the nominal value of the shares. The total number of shares which may be issued upon exercise of options must not exceed 30% of the number of shares in issue from time to time and in addition, 10% of the number of shares in issue at the date of approval of the option scheme.

No share option has been granted under the Scheme. Details of the share options granted under the Pre-IPO Option Scheme in 1999 and outstanding as at 31st December, 2009 were as follows:

Name	Date of Grant	Exercise Period	Excercise price per share	Number of shares to be issued under options granted under share option scheme Beginning and End of year
Mr. Liao Yun Kuang	26/8/1999	14/3/2000 to 13/3/2010	HK$0.71	7,425,600
Continuous Contract Employees	26/8/1999	14/3/2000 to 13/3/2010	HK$0.71	3,003,000
				10,428,600

17. OTHER RESERVES

(a) Group

	Contributed surplus $'000	Translation $'000	Total $'000
At 1st January, 2008	7,250	(2,322)	4,928
Currency translation differences	–	(60)	(60)
At 31st December, 2008 and 1st January, 2009	7,250	(2,382)	4,868
Currency translation differences	–	(2,523)	(2,523)
At 31st December, 2009	**7,250**	**(4,905)**	**2,345**

The contributed surplus of the Group as at 31st December, 2008 and 2009 represented (i) the waiver in 1995 of an amount due to Directors and the difference between the net assets of the subsidiaries acquired pursuant to a group reorganization in 1995 over the nominal value of the Company's consideration in exchange therefore, and (ii) the increase of the contributed surplus from capital reduction and share premium cancellation during the year ended 31st December, 2006, and (iii) during the year ended 31st December, 2006, the decrease of the contributed surplus being set off against the accumulated losses of the Company as at 31st December, 2005.

(b) Company

	Contributed surplus $'000
At 1st January, 2008 and 31st December, 2008 and 2009	20,581

The contributed surplus of the Company as at 31st December, 2008 and 2009 represents (i) the difference between the net assets of the subsidiaries acquired pursuant to a group reorganization in 1995 over the nominal value of the Company's consideration in exchange therefore, (ii) increase from the capital reduction and share premium cancellation during the year ended 31st December, 2006, and (iii) decrease from the set off against the accumulated losses as at 31st December, 2005 of the Company during the year ended 31st December, 2006.

As at 31st December, 2009, the Company did not have reserves (2008: $8,964,000) available for distribution to its shareholders.

18. MINORITY INTEREST

Minority interest represents the preference shares issued by a subsidiary to a third party. The preference shares do not have any redemption features and dividends are payable at the discretion of the Group. Further, no profit/loss is attributable to the preference shareholder in accordance with the terms of the preference shares.

19. TRADE AND OTHER PAYABLES

(a) Group

	2009 $'000	2008 $'000
Trade payables	**11,377**	17,890
Accrued expenses	**1,255**	3,407
Provision for an onerous contract	**–**	615
Salary and welfare payable	**985**	1,181
Others	**413**	810
	14,030	23,903

As at 31st December, 2009, the aging analysis of the trade payables is as follows:

	2009 $'000	2008 $'000
0 – 30 days	**2,620**	4,013
31 – 60 days	**2,076**	4,575
61 – 90 days	**1,369**	1,332
91 – 180 days	**2,863**	3,434
181 – 360 days	**1,564**	4,536
Over 360 days	**885**	–
	11,377	17,890

(b) Company

	2009 $'000	2008 $'000
Accrued expenses	**627**	188
Salary and welfare payable	**550**	528
	1,177	716

20. BORROWINGS AND BANK OVERDRAFTS – GROUP

	2009 $'000	2008 $'000
Non-current		
Bank borrowings	**49,960**	48,830
Finance lease liabilities	**14**	117
	49,974	48,947
Current		
Banker's acceptance and other banking facilities	**10,361**	12,055
Bank borrowings		
– short term bank borrowings	**–**	1,675
– current portion of long term bank borrowings	**2,920**	1,735
Collateralized borrowings *(Note 12)*	**606**	229
Finance lease liabilities	**103**	168
	13,990	15,862
Bank overdrafts *(Note 14)*	**2,877**	2,521
Total borrowings and bank overdrafts	**66,841**	67,330

(a) Bank borrowings

The long term bank borrowings bore interest at commercial banking rates ranging from 3.75% to 3.81% (2008: 4.25% to 6.41%) per annum and were secured by pledges of certain of the Group's assets, corporate guarantees given by the Company, and personal guarantees given by two Directors of the Company.

The short term bank borrowings bore interest at commercial banking rates ranging from 2.82% to 7.53% (2008: 3.69% to 8.13%) per annum and were secured by pledges of certain of the Group's assets, corporate guarantees given by the Company, and personal guarantees given by two Directors of the Company.

At 31st December, 2009, the Group's bank borrowings were repayable as follows:

	2009 $'000	2008 $'000
Within 1 year	**2,920**	1,735
between 1 and 2 years	**4,913**	2,487
between 2 and 5 years	**17,234**	15,070
Wholly repayable within 5 years	**25,067**	19,292
Over 5 years	**27,813**	31,273
	52,880	50,565
Less: Amount due within 1 year included in current liabilities	**(2,920)**	(1,735)
	49,960	48,830

20. BORROWINGS AND BANK OVERDRAFTS – GROUP (Continued)

(a) Bank borrowings (Continued)

The effective interest rates for the borrowings and bank overdrafts at the balance sheet date were as follows:

2009

	Chinese Renminbi	**Singapore dollars**	**United States dollars**	**Malaysian Ringgit**
Bank overdrafts	**–**	**–**	**P+0.75%**	**BLR+1.50%**
Bank borrowings	**–**	**fixed rate 3.50%**	**SIBOR+2.00%**	**–**
Trade facilities	**–**	**–**	**–**	**2.82%**

2008

	Chinese Renminbi	Singapore dollars	United States dollars	Malaysian Ringgit
Bank overdrafts	–	–	P+0.75%	BLR+1.50%
Bank borrowings	fixed rate 6.39%	fixed rate 3.50%	SIBOR+2.00%	–
Trade facilities	–	–	LIBOR+2.50%	3.69%

BLR: Base Lending Rate
P: Prime Rate
SIBOR: Singapore Interbank Offered Rate
LIBOR: London Interbank Offered Rate

The fair values of current borrowings approximately equal their carrying amounts, as the impact of discounting is not significant. The fair values of non-current borrowings approximate their carrying amounts and are based on cash flows discounted using a rate based on the annual borrowings rate of 3.75% to 3.81% (2008: 4.25% to 6.41%).

The carrying amounts of the borrowings are denominated in the following currencies:

	2009 $'000	2008 $'000
United States dollars	**48,828**	49,065
Singapore dollars	**6,639**	6,750
Malaysian Ringgit	**11,374**	9,840
Chinese Renminbi	**–**	1,675
	66,841	67,330

20. BORROWINGS AND BANK OVERDRAFTS – GROUP (Continued)

(a) Bank borrowings (Continued)

The Group has the following undrawn borrowing facilities:

	2009 **$'000**	2008 $'000
Floating rate		
– expiring within one year	**–**	500
– expiring beyond one year	**1,469**	9,040
	1,469	9,540

The facilities expiring within one year are annual facilities subject to review at various dates during 2010.

(b) Finance lease liabilities

Lease liabilities are effectively secured as the rights to the leased asset will revert to the lessor in the event of default.

	2009 **$'000**	2008 $'000
Gross finance lease liabilities – minimum lease payments		
No later than 1 year	**107**	181
Later than 1 year and no later than 5 years	**14**	120
	121	301
Future finance charges on finance leases	**(4)**	(16)
Present value of finance lease liabilities	**117**	285
The present value of finance lease liabilities is as follows:		
No later than 1 year	**103**	168
Later than 1 year and no later than 5 years	**14**	117
	117	285

21. DEFERRED INCOME TAX – GROUP

Deferred income tax assets and liabilities of Manuply, prior to offsetting of balances within the same taxation jurisdiction are as follows:

	2009 **$'000**	2008 $'000
Deferred income tax assets		
– Deferred income tax assets to be recovered after 12 months	**10,884**	11,597
Deferred income tax liabilities		
– Deferred income tax liabilities to be recovered after 12 months	**(6,024)**	(6,790)
Deferred income tax assets (net)	**4,860**	4,807

The deferred income tax assets recognized in the consolidated balance sheet as at 31st December, 2009 related to Manuply, which was in a loss position for the year ended 31st December, 2009. The Directors are of the view that Manuply will generate sufficient taxable profit in future to fully utilize the deferred income tax assets.

The movement on the deferred income tax account is as follows:

	2009 **$'000**	2008 $'000
At 1st January	**4,807**	5,021
Exchange differences	**53**	(370)
Tax rate effect	**–**	156
At 31st December	**4,860**	4,807

21. DEFERRED INCOME TAX – GROUP (Continued)

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Accelerated tax depreciation	
	2009	2008
	$'000	$'000
Deferred income tax liabilities		
At 1st January	**6,790**	8,486
Exchange differences	**72**	(363)
Credited to consolidated income statement	**(838)**	(1,043)
Tax rate effect	**–**	(290)
At 31st December	**6,024**	6,790

	Tax losses and unused tax credits	
	2009	2008
	$'000	$'000
Deferred income tax assets		
At 1st January	**11,597**	13,507
Exchange differences	**125**	(733)
Charged to consolidated income statement	**(838)**	(1,043)
Tax rate effect	**–**	(134)
At 31st December	**10,884**	11,597

Deferred income tax assets are recognized for tax losses and unused tax credits carried forward to the extent that realization of the related tax benefit through the future taxable profits is probable. As at 31st December, 2009, Manuply has tax losses of approximately Nil (2008: $511,000) and unused tax credits of approximately $43,536,000 (2008: $45,873,000) to be carried forward to offset against future taxable income. These tax losses and tax credits have no expiry date.

Deferred income tax liabilities represent the taxation effect of accelerated tax depreciation. As at 31st December, 2009, Manuply has taxable temporary differences of approximately $24,094,000 (2008: $27,159,000).

21. DEFERRED INCOME TAX – GROUP (Continued)

As at 31st December, 2009, major unprovided deferred income tax assets of the Group are as follows:

	2009 **$'000**	2008 $'000
Relating to:		
– Provision for doubtful debts	**–**	1,608
– Tax losses	**4,640**	3,499
– Impairment provision	**–**	2,533
– Reinvestment allowance	**5,262**	6,142
– Provision for inventory	**–**	1,234
– Others	**–**	291
	9,902	15,307

These unprovided deferred income tax assets are mainly generated from Manuply.

22. OTHER GAINS/(LOSSES) – NET

	2009 **$'000**	2008 $'000
Continuing operations		
Net foreign exchange (losses)/gains	**(279)**	858
Interest income	**–**	11
Rental income	**570**	418
Gain on disposal of property, plant and equipment	**4**	38
Others	**261**	470
	556	1,795
Discontinued operations		
Net foreign exchange gains	**–**	298
Interest income	**–**	5
Others	**(13)**	15
	(13)	318
	543	2,113

23. EXPENSES BY NATURE

Loss before income tax and profit/(loss) from discontinued operations are determined after charging/(crediting) the following:

	2009 $'000	2008 $'000
Continuing operations		
Amortization of leasehold land *(Note 7)*	**31**	31
Auditors' remuneration	**280**	366
Changes in inventories of finished goods and work in progress	**4,090**	599
Depreciation, amortization *(Note 9)*		
– owned assets	**6,463**	6,871
– assets held under finance leases	**46**	49
Directors' emoluments *(Note 24(a))*	**592**	840
Employee benefit expense (excluding Directors' emoluments)		
– Wages and salaries *(Note 24)*	**1,949**	2,574
– Social security and pension costs *(Note 24)*	**157**	187
Freight and other related charges	**4,788**	11,255
Operating lease expenses on land, buildings and machinery	**82**	126
Provision for impairment of receivables	**4**	300
Provision for impairment losses on property, plant and equipment	**–**	430
(Reversal of)/Provision for inventories to net realizable value	**(228)**	1,031
Raw materials and consumables used	**29,332**	55,398
Staff secondment service fee	**1,020**	1,080
Other expenses	**15,248**	24,748
	63,854	105,885
Discontinued operations		
Provision for an onerous contract	**–**	615
Auditors' remuneration	**–**	51
Changes in inventories of finished goods and work in progress	**–**	1,372
Depreciation and amortization *(Note 9)*		
– owned assets	**803**	1,952
Employee benefit expense (excluding Directors' emoluments)		
– Wages and salaries *(Note 24)*	**–**	28
– Social security and pension costs *(Note 24)*	**–**	87
Freight and other related charges	**–**	287
Operating lease expenses on land, buildings and machinery	**–**	352
Provision for impairment of receivables	**4**	6,433
Provision for impairment losses on property, plant and equipment	**–**	5,884
Provision of inventories to net realizable value	**–**	4,935
Raw materials and consumables used	**–**	7,281
Provision for compensation to employees	**–**	564
Staff secondment service fee	**–**	360
Other expenses	**–**	716
	807	30,917
	64,661	136,802

24. EMPLOYEE BENEFIT EXPENSE

	2009 $'000	2008 $'000
Continuing operations		
Wages and salaries	**1,949**	2,574
Social security and pension costs	**157**	187
	2,106	2,761
Discontinued operations		
Wages and salaries	**–**	28
Social security and pension costs	**–**	87
	–	115
Number of employees	**1,454**	2,549

(a) Directors' and senior management's emoluments

The remuneration of every Director for the year ended 31st December, 2009 is set out below:

Name of Director	Fees $'000	Salary $'000	Employer's contributions to pension schemes $'000	Total $'000
Executive directors				
Dr. Budiono Widodo	–	168	–	168
Mr. Sardjono Widodo	180	–	–	180
Mr. Liao Yun Kuang	73	68	3	144
Mr. Yu Chien Te	17	50	3	70
Non-executive directors				
Mr. Pipin Kusnadi	6	–	–	6
Mr. Sudjono Halim	6	–	–	6
Independent non-executive directors				
Mr. Marzuki Usman	6	–	–	6
Mr. Kusnadi Widjaja	6	–	–	6
Mr. Siah Chong Huat	6	–	–	6
	300	286	6	592

24. EMPLOYEE BENEFIT EXPENSE (Continued)

(a) Directors' and senior management's emoluments (Continued)

The remuneration of every Director for the year ended 31st December, 2008 is set out below:

Name of Director	Fees $'000	Salary $'000	Employer's contributions to pension schemes $'000	Total $'000
Executive directors				
Dr. Budiono Widodo	–	408	–	408
Mr. Sardjono Widodo	180	–	–	180
Mr. Liao Yun Kuang	73	73	4	150
Mr. Yu Chien Te	17	51	4	72
Non-executive directors				
Mr. Pipin Kusnadi	6	–	–	6
Mr. Sudjono Halim	6	–	–	6
Independent non-executive directors				
Mr. Marzuki Usman	6	–	–	6
Mr. Kusnadi Widjaja	6	–	–	6
Mr. Siah Chong Huat	6	–	–	6
	300	532	8	840

Except for Dr. Budiono Widodo, who has waived his emoluments to the extent of approximately $288,000 (2008: $48,000) during the year ended 31st December, 2009, no Directors waived any emoluments during the year ended 31st December, 2009 and 2008. No incentive payment for joining the Group or compensation for loss of office was paid or payable to any Director for the year ended 31st December, 2009 and 2008.

24. EMPLOYEE BENEFIT EXPENSE (Continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2008: three) Directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2008: two) individuals during the year are as follows:

	2009 $'000	2008 $'000
Basic salaries and allowances	251	257
Bonus	5	33
Contributions to pension schemes	4	3
	260	293

The emoluments of these two (2008: two) individuals fell within the following bands:

	Number of individuals	
	2009	2008*
– Nil to $128,979 (Nil to HK$1,000,000)	1	1
– $128,979 to $193,469 (HK$1,000,001 to HK$1,500,000)	1	1
	2	2

* Except for individual ranking the 5th highest paid, the other 4 of the 5 highest paid individuals are under the Group's employment for the whole of Year 2008.

25. FINANCE COSTS

	2009 $'000	2008 $'000
Continuing operations		
Interest on bank loans	1,815	3,034
Interest on other loans, wholly repayable within 5 years	355	530
Finance lease liabilities	14	27
	2,184	3,591
Discontinued operations		
Interest on bank loans	–	270
	2,184	3,861

26. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

(i) Bermuda

The Company is exempt from taxation in Bermuda until 28th March, 2016.

(ii) Hong Kong

No Hong Kong profits tax has been provided as the Group had no assessable profit arising in or derived from Hong Kong.

(iii) Malaysia

No taxation has been provided by Manuply because it had unutilized tax allowances to offset its estimated assessable profit for the year ended 31st December, 2009. The applicable income tax rate of Manuply is 25% (2008: 26%).

(iv) Others

Other overseas taxation has been calculated at the rates of taxation applicable in the countries in which the relevant subsidiaries operate.

The tax on the Group's loss before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated companies as follows:

	2009 **$'000**	2008 $'000
Profit/(Loss) before income tax		
Continuing operations	**(15,311)**	(13,579)
Discontinued operations*	**5,517**	(22,873)
	(9,794)	(36,452)
Tax calculated at domestic tax rates applicable to loss in the respective countries	**(2,634)**	(6,115)
Tax effects of:		
Income not subject to tax	**–**	–
Tax incentive	**–**	(2,345)
Expenses not deductible for tax purposes	**1,652**	986
Utilization of previously unrecognized tax losses	**(12)**	(17)
Tax losses for which no deferred income tax asset was recognized	**994**	7,491
Income tax	**–**	–

The change in tax at applicable tax rates is attributable to change in mix of profits/(losses) earned in different jurisdictions.

* The operations of ACHL Group were disposed of during the year of 2009 (Note 15).

27. LOSS ATTRIBUTABLE TO THE COMPANY'S EQUITY HOLDERS

The loss attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of a loss of approximately $21,304,000 (2008: $11,159,000).

28. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share is calculated by dividing the loss attributable to the Company's equity holders by the weighted average number of ordinary shares in issue during the year.

	2009	2008
Loss from continuing operations attributable to the Company's equity holders (United States dollars)	**(15,311,000)**	(13,170,000)
Profit/(Loss) from discontinued operations attributable to the Company's equity holders (United States dollars)	**5,517,000**	(23,282,000)
	(9,794,000)	(36,452,000)
Weighted average number of ordinary shares in issue	**1,327,779,448**	1,327,779,448
Basic loss per share from continuing operations (United States cents per share)	**(1.15)**	(1.00)
Basic earnings/(loss) per share from discontinued operations (United States cents per share)	**0.41**	(1.74)
	(0.74)	(2.74)

There was no dilutive effect on (loss)/earnings per share for the years ended 31st December, 2009 and 2008 since all outstanding share options were anti-dilutive.

29. CASH GENERATED FROM OPERATIONS

	2009 $'000	2008 $'000
Loss before income tax including discontinued operations	**(9,794)**	(36,452)
Adjustments for:		
Depreciation *(Note 9)*	**7,312**	8,872
Amortization of leasehold land *(Note 7)*	**31**	31
Finance costs *(Note 25)*	**2,184**	3,861
Interest income from bank deposits	**–**	(16)
Provision for impairment of receivables	**8**	6,733
(Reversal of)/Provision for inventories to net realizable value	**(228)**	5,966
Provision for impairment losses on property, plant and equipment	**–**	6,314
Gain on disposal of property, plant and equipment	**(4)**	(48)
Written off for property, plant and equipment	**37**	10
Gain on disposal of subsidiaries	**(6,337)**	–
Goodwill arising from acquisition of a subsidiary written off	**–**	18
Share of loss of an associate *(Note 10)*	**277**	195
	(6,514)	(4,516)
Changes in working capital:		
Inventories	**5,911**	1,719
Trade and other receivables	**2,454**	7,515
Trade and other payables	**(4,700)**	561
Cash (used in)/generated from operations	**(2,849)**	5,279

In the cash flow statement, proceeds from sale of property, plant and equipment comprise:

	2009 $'000	2008 $'000
Net book amount *(Note 9)*	**52**	134
Gain on disposal of property, plant and equipment	**4**	48
Written off for property, plant and equipment	**(37)**	(10)
Proceeds from disposal of property, plant and equipment	**19**	172

30. COMMITMENTS – GROUP

Operating lease commitments – Group's companies as lessee

As at 31st December, 2009, the Group had future aggregate minimum lease payments in respect of office buildings under various non-cancellable operating leases arrangements as follows:

	2009 $'000	2008 $'000
No later than 1 year	**41**	83
Later than 1 year and not later than 5 years	**5**	34
	46	117

31. BANKING FACILITIES – GROUP

As at 31st December, 2009, the Group had aggregate banking facilities as follows:

	2009			
	Utilized $'000	**Unutilized $'000**	**Total facilities $'000**	*Note*
– Bank loans	**52,880**	**–**	**52,880**	*(a) – (h)*
– Trade facilities	**14,281**	**1,469**	**15,750**	*(a) – (h)*
	67,161	**1,469**	**68,630**	

	2008			
	Utilized $'000	Unutilized $'000	Total facilities $'000	*Note*
– Bank loans	52,240	–	52,240	*(a) – (h)*
– Trade facilities	15,565	9,540	25,105	*(a) – (h)*
	67,805	9,540	77,345	

The above facilities were secured by:

(a) Pledges of certain property, plant and equipment of the Group with a net book value of approximately $49,723,000 (2008: $57,528,000) (Note 9);

(b) Pledges of certain leasehold land of the Group with a net book value of approximately $2,897,000 (2008: $2,928,000) (Note 7);

(c) Floating charges on certain inventories of the Group with a net book value of approximately $7,461,000 (2008: $13,116,000) (Note 13);

(d) Floating charges on certain trade receivables of the Group of approximately $29,000 (2008: $209,000) (Note 12);

(e) Floating charges on certain prepayments and other receivables of the Group of approximately $500,000 (2008: $670,000) (Note 12);

31. BANKING FACILITIES – GROUP (Continued)

(f) Floating charges on certain bank balances of the Group of approximately $17,000 (2008: $566,000) (Note 14);

(g) Corporate guarantees given by the Company. The Directors are of the view that the fair value of the corporate guarantee is not significant; and

(h) Personal guarantees given by two Directors of the Company to banks in respect of certain bank loans and trade facilities granted to the Group (Note 33(a)).

32. PENSION SCHEMES

The employees of the Singapore and Malaysia subsidiaries are members of the Central Provident Funds (the "Funds") operated by the governments of those countries. The subsidiaries are required to contribute a percentage in the range of 12% to 14.5% of their covered payroll to the Funds. The only obligation of the Group with respect to the Funds is the required contributions to the Funds and there is no forfeiture of contributions under the schemes.

The Group's subsidiary in the United States of America is required to contribute 7.65% of the basic salary of the employees to the federal government of the United States of America for social security purposes.

Under the Hong Kong Mandatory Provident Scheme, a defined contribution scheme managed by an independent trustee, the Group's subsidiary operates in Hong Kong and its employees each make monthly contributions to the scheme at 5% of the employees' cash income as defined under the Mandatory Provident Fund legislation. Contributions by both the Hong Kong subsidiary and its employees are subject to a maximum of HK$1,000 per month and thereafter contributions are voluntary and are not subject to any limitation.

The aggregate amount of pension expense incurred by the Group is as follows:

	2009 **$'000**	2008 $'000
Gross employer's contributions	**157**	274

33. RELATED-PARTY TRANSACTIONS

(a) Personal Guarantees

During the year ended 31st December, 2009, two Directors of the Company have provided personal guarantees to banks in respect of certain bank loans and trade facilities granted to the Group amounting to approximately $66,557,000 (2008: $62,821,000) (Note 31(h)).

(b) Key Management Compensation

Key management compensation of the Group is disclosed in note 24.

34. EVENTS AFTER THE BALANCE SHEET DATE

On 2nd March, 2010, the Company entered into a placing agreement with Grand Vinco Capital Limited (the "Placing Agent"), pursuant to which, the Placing Agent agreed to place, on best effort basis, to not less than six independent placees for up to 265,540,000 shares at a price of HK$0.158 per share, for and on behalf of the Company. On 29th March, 2010, the transaction was completed and 265,540,000 shares were successfully placed to not less than six placees, who and (where a corporation) whose ultimate beneficial owners are not connected persons of the Company and are independent of the Company and its connected persons. The aggregate amount of approximately HK$41,955,000 (equivalent to approximately US$5,381,000) was received by the Company.