福邦控股

Fulbond Holdings Limited

福 邦 控 股 有 限 公 司

Interim Report 2002

二零零二年中期報告

DIRECTORS' REPORT

The Board of Directors (the "Directors") of Fulbond Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2002. The results are unaudited but have been reviewed by Deloitte Touche Tohmatsu.

RESULTS

For the six months ended 30 June 2002, the Group recorded a turnover of US$14,262,000 and net loss after taxation and minority interests was US$3,101,000.

INTERIM DIVIDEND

The Directors do not recommend the payment of interim dividend for the six months ended 30 June 2002 (2001: Nil).

BUSINESS REVIEW

During the period under review, the Group recorded a turnover of US$14,262,000 representing a decrease of 18.4% as compared to the US$17,481,000 recorded in last year's corresponding period. Net loss was US$3,101,000 against last year's gain of US$28,881,000 which benefited from contributions on the financial and corporate restructuring in March 2001.

The downturn in the interim results was mainly attributable to the unfavorable market sentiment as well as the fierce market competition. With the global economy continue to slip into recession during the first half of 2002, the Company's business was inevitably affected by the general business environment. At the same time, with China's accession into WTO, import controls and import taxes were gradually relaxed which gave rise to increasing competition within the timber industry. These factors resulted in slackening gross profit and business performance for the Group during the period under review. As the Group is still in the initial stages in its move into the high technology business, the results of this new business will only be reflected in the Group's turnover in the second half of 2002.

The Timber Business

The timber business continued to be the principal activity for the Group. Jilin Fudun Timber Company Limited ("Fudun"), a 72%-owned subsidiary of the Company, with its sales and marketing offices spread out over Guangzhou, Beijing and Shanghai, has helped to heighten the Group's brand image and sales performance. Leveraging its strong business network and extensive expertise in wooden products manufacturing, the Group will strengthen its product mix and produce more high profit margin products.

The High Technology Related Business

With regard to the increasing complexity of IC design, there is a growing trend for enterprises to outsource IC design to independent specialist companies to reduce costs and respond quickly to market needs. The IC design outsourcing business is expected to enjoy the highest growth rate among the different segments of the semi-conductor industry. As China's consumption of IC soared to US$12 billion in 2001, of which only 10% was satisfied by local supplies while 90% was imported from overseas, demonstrating the huge room for development in the PRC market. The burgeoning IC industry not only stimulates demand for IC manufacturing, but also giving rises to an increasing needs for IC design services which has undergone speedy growth in recent years.

Since its business diversification last year, the Group is working towards new developments in high technology. Riding the management's tremendous experience and excellent business relations in the high technology sector in the US and Taiwan, the Group is closely monitoring market trends, exploring any potential investment projects to introduce them to the market.

Prospects

Looking ahead, the Company will continue to empower its double-pronged business strategy. With strong technical expertise, the Group will further strengthen its research and development capabilities to develop its high technology business which will generate strong momentum for a prosperous future. At the same time, the timber business is expected to contribute stable income for the Group.

In view of the recent government policy on environmental protection, the supply of wood as a raw material has been restricted, resulting in a surge in material costs. Planning strategically for long-term development, the Group plans to restructure its timber-related business by aligning certain subsidiaries to streamline operating efficiencies. In addition, more resources and emphasis will be placed on the high-tech business which is presenting strong impetus for growth in the future.

In July 2002, the Group's 90%-owned subsidiary – Fulhua Microelectronics Corporation ("Fulhua") acquired 51.6% of the entire issued share capital of Sota Design Technology Inc. ("Sota"), a Taiwan-based IC design services provider at a consideration of NT$241,500,000 (approximately HK$57,960,000). Sota is engaged in the provision of IC design services mostly in Taiwan and the USA, providing IC front end design, back end design and manufacturing logistics services to customers. Leveraging Sota's professional R&D expertise, value-added Silicon Intellectual Properties ("SIPs"), brand reputation, UNiSVR Global Information Technology Corp.'s comprehensive broadband internet applications platform for IC design tools and data management, as well as the Company's strong professional expertise and industry ties, the Group is uniquely positioned to rapidly enter and penetrate the fast growing IC design service market.

To broaden the Company's shareholder base and provide strong cash flow strengthening the Group's financial position, the Company's major shareholder, Global Innovation Investment Limited ("GIIL"), entered a placing agreement with institutional investors on 10 August 2002. At the same time, the Group has conditionally agreed to allot and issue new shares to GIIL. The net proceeds of about HK$25 million were mainly used for the acquisition of Sota.

Capitalizing on the vast market opportunity, the Company plans to set up alliances in the PRC, Japan and the USA to serve customers with IC design services and strengthen the Group's worldwide coverage. In the future, Asia will definitely become the base for IC manufacturers and designers. the Company will leverage this advantage, together with the management's successful experience in semiconductor development, to develop up stream IC design services. With its strong R&D capabilities, outstanding management, extensive SIPs and its global customer support, the Group expects to become the most sizable IC design service provider in Asia by 2005.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and Capital Resources

As at 30 June 2002, the net cash balances of the Group stood at US$1,857,000.

The total bank and other borrowings as at 30 June 2002 were 21,926,000. The bank loans are mainly denominated in Reminbi and US dollars. The sales and purchases of the Group are also denominated in Reminbi and US dollars. As the exchange rates of Reminbi and US dollars against Hong Kong dollars were relatively stable during the period, the Group's exposure to fluctuations in exchange rates is minimal.

The gearing ratio of the Group was 45.3% (gearing ratio is a percentage of total borrowing over non-current assets). As at period end, the total shareholders' equity of the Group was US$33,893,000.

Employment and Remuneration Policy

The Company has approximately 1,500 full-time employees as at 30 June 2002 in the PRC and in Hong Kong. Remuneration policy and package of the employees are reviewed yearly. Remuneration, bonuses and share options are awarded to employees based on individual performances and market practices.

OTHER INFORMATION

Directors' Interests in Securities

As at 30 June 2002, the following beneficial interests in the share capital of the Company, its subsidiaries and its associated corporations as defined in the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), were held by the directors and their associates as recorded in the register kept by the Company pursuant to Section 29 of the SDI Ordinance:

1. Interests of the Directors in the shares of the Company:

Name of Director	Nature of interest	Number of shares held
Yang Ding-Yuan	Corporate *(note)*	4,552,288,616

Note: Mr Yang Ding-Yuan is the controlling shareholder of STJ Technology Limited ("STJ") which owns 4,552,288,616 shares of the Company.

Save as disclosed above, no other interests were held or deemed or taken (under the SDI Ordinance) to be held by any Directors or any of their associates in any equity or debt securities of the Company or any or its associated corporations (within the meaning of the SDI Ordinance) as at 30 June 2002.

Share Options

Pursuant to the Company's share option schemes adopted on 19 November 2001 and 11 December 1996, the Company may grant options to any directors, executives, employees and any other persons who have contributed or will contribute to the Group.

As at 30 June 2002, details of the outstanding share options granted by the Company to the Directors, executives and employees of the Company were set out below:

				Number of share options			
	Date of grant	Exercise period	Exercise Price	At 1 Jan 2002	Granted during the period	Cancelled during the period	At 30 June 2002
Directors							
Yang Ding-Yuan	30 April 2002	30 April 2002-29 April 2012	HK$0.05	–	50,000,000	–	50,000,000
Hu Ding-Hua	30 April 2002	30 April 2002-29 April 2012	HK$0.05	–	50,000,000	–	50,000,000
Meng Tung-Mei Grace	30 April 2002	30 April 2002-29 April 2012	HK$0.05	–	50,000,000	–	50,000,000
Yang S. Edward	30 April 2002	30 April 2002-29 April 2012	HK$0.05	–	50,000,000	–	50,000,000
Chan Ting-Fung	30 April 2002	30 April 2002-29 April 2012	HK$0.05	–	50,000,000	–	50,000,000
Total Directors				–	250,000,000	–	250,000,000

Date of grant	Exercise period	Exercise Price	At 1 Jan 2002	Granted during the period	Cancelled during the period	At 30 June 2002
			Number of share options			
Executives and employees						
11 February 1997	11 February 1997-10 February 2007	HK$1.85	20,716,000	–	(20,716,000)	–
30 April 2002	1 January 2003-29 April 2012	HK$0.05	–	31,200,000	–	31,200,000
30 April 2002	1 January 2004-29 April 2012	HK$0.05	–	23,400,000	–	23,400,000
30 April 2002	1 January 2005-29 April 2012	HK$0.05	–	23,400,000	–	23,400,000
Total executives and employees			20,716,000	78,000,000	(20,716,000)	78,000,000
Total all categories			20,716,000	328,000,000	(20,716,000)	328,000,000

The closing price of the Company's shares immediately before 30 April 2002, the date of grant of the share options, was HK$0.05.

As at 30 June 2002 , no options were exercised by the Directors of the Company. The share options granted are not recognised in the financial statements until they are exercised. The value per option granted during the period estimated at the date of grant using the Black-Scholes option pricing model was HK$0.045. The assumptions used are as follows:

Risk free interest rate	5.89%
Expected life (in years)	10
Volatility	95%
Annual dividend yield	Nil

The Black-Scholes option pricing model requires input of highly subjective assumptions, including the expected stock price volatility. Because changes in the subjective input assumptions can materially affect the estimated fair value, the Black-Scholes option pricing model does not necessarily provide a reliable measure of the fair value of the share options.

Save as mentioned above, at no time during the period was the Company or any of its subsidiaries a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2002, the following shareholders were recorded in the register required to be kept under Section 16(1) of the SDI Ordinance as having an interest in 10% or more of the issued share capital of the Company:

		Number of shares held in the Company		
Name	*Notes*	**Direct interests**	**Deemed interests**	**Total interests**
GIIL	1	4,172,370,084	–	4,172,370,084
STJ	1	379,918,532	4,172,370,084	4,552,288,616
Yang Ding-Yuan	2	–	4,552,288,616	4,552,288,616

Notes:

1. GIIL, a company incorporated in Cayman Islands with limited liability, is a 70% owned subsidiary of STJ, a company incorporated in British Virgin Islands, which is deemed by the SDI Ordinance to be interested in the Company's shares in which GIIL is interested.

2. Mr Yang Ding-Yuan is, by virtue of Section 8 of the SDI Ordinance, deemed to be interested in the Company's shares in which STJ is interested.

Save as disclosed above, no other person was recorded in the register kept pursuant to Section16 (1) of the SDI Ordinance as having an interest in 10% or more in the issued share capital of the Company.

PURCHASE, SALES OR REDEMPTION OF SHARES

During the period, neither the Company, nor an of its subsidiaries had purchased, sold, or redeemed any of the Company's shares.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including a review of the unaudited interim financial statements.

CODE OF BEST PRACTICE

None of the directors is aware of information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30 June 2002, in compliance with the Code of Best Practice set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited except that the independent non-executive directors are not appointed for a specific term but subject to retirement by rotation at Annual General Meeting of the Company in accordance with the provisions of the Company's Bye-laws.

By Order of the Board
Dr Yang Ding-Yuan
Chairman

Hong Kong, 27 September 2002

INDEPENDENT REVIEW REPORT

TO THE BOARD OF DIRECTORS OF FULBOND HOLDINGS LIMITED
福邦控股有限公司

Introduction

We have been instructed by Fulbond Holdings Limited (the "Company") to review the interim financial report set out on pages 7 to 16.

Directors' responsibilities

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with Statement of Standard Accounting Practice No. 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

Review work performed

We conducted our review in accordance with Statement of Auditing Standards No. 700 "Engagements to review interim financial reports" issued by the Hong Kong Society of Accountants. A review consists principally of making enquiries of group management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

Review conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30 June 2002.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, 27 September 2002

CONDENSED CONSOLIDATED INCOME STATEMENT
For the six months ended 30 June 2002

	NOTES	1.1.2002 to 30.6.2002 (Unaudited) US$'000	1.1.2001 to 30.6.2001 (Unaudited) US$'000
Turnover	3	14,262	17,481
Cost of sales		(13,306)	(15,235)
Gross profit		956	2,246
Other income		999	1,577
Distribution costs		(1,160)	(988)
Administrative expenses		(3,446)	(3,155)
Loss from operations	4	(2,651)	(320)
Finance costs		(797)	(603)
Share of results of associates		243	84
Net gain arising from corporate restructuring	5	–	25,959
Write back of provision for loss for bank guarantees granted to associates	6	–	4,000
Allowance for amount due from an associate		–	(181)
(Loss) profit before taxation		(3,205)	28,939
Taxation	7	(112)	(178)
(Loss) profit before minority interests		(3,317)	28,761
Minority interests		216	120
Net (loss) profit for the period		(3,101)	28,881
(Loss) earnings per share	8		
– Basic		US(0.04) cents	US0.75 cents
– Diluted		N/A	US0.73 cents

CONDENSED CONSOLIDATED BALANCE SHEET

At 30 June 2002

	NOTES	30.6.2002 (Unaudited) US$'000	31.12.2001 (Audited) US$'000
Non-current assets			
Property, plant and equipment	9	40,079	42,121
Interests in associates		6,240	6,070
Investments in securities		1,974	1,974
Club debenture		37	37
Deposit paid for an investment acquisition		86	86
Deferred taxation		36	36
		48,452	50,324
Current assets			
Inventories		9,946	11,386
Trade and other receivables	10	13,833	12,366
Amounts due from associates		2,851	3,745
Bank balances and cash		1,905	2,028
		28,535	29,525
Current liabilities			
Trade and other payables	11	9,726	9,736
Bills payable		467	321
Taxation		620	224
Bank and other borrowings – amount due within one year	12	14,298	17,051
		25,111	27,332
Net current assets		3,424	2,193
		51,876	52,517
Capital and reserves			
Share capital	13	8,348	7,599
Reserves		25,545	27,455
		33,893	35,054
Minority interests		10,355	11,245
Non-current liability			
Bank and other borrowings – amount due after one year	12	7,628	6,218
		51,876	52,517

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June 2002

	Share capital US$'000	Share premium US$'000	Capital reserve US$'000	Warrant reserve US$'000	General reserve US$'000	Exchange translation reserve US$'000	Capital redemption reserve US$'000	Accumulated losses US$'000	Total US$'000
Balance at 1 January 2001	16,569	26,428	716	–	1,731	(746)	4	(60,075)	(15,373)
Exchange difference arising from translation of operations of subsidiaries and associates and net gain not recognised in the income statement	–	–	–	–	–	522	–	–	522
Reduction of nominal value and set off from capital reduction upon corporate restructuring	(15,741)	–	–	–	–	–	–	15,741	–
Issue of shares pursuant to the Restructuring Scheme	5,423	–	–	–	–	–	–	–	5,423
Participation offer of shares	539	–	–	–	–	–	–	–	539
Issue of shares upon the exercise of warrants	18	–	–	–	–	–	–	–	18
Share premium and warrant reserve arising from corporate restructuring	–	11,935	–	3,652	–	–	–	–	15,587
Share premium arising upon exercise of warrants	–	29	–	–	–	–	–	–	29
Transfer of warrant reserve upon exercise of warrants	–	49	–	(49)	–	–	–	–	–
Transfer of reserve	–	–	–	–	331	–	–	(331)	–
Net profit for the period	–	–	–	–	–	–	–	28,881	28,881
Balance at 30 June 2001	6,808	38,441	716	3,603	2,062	(224)	4	(15,784)	35,626
Balance at 1 January 2002	7,599	41,737	716	3,602	1,897	(91)	4	(20,410)	35,054
Exchange difference arising from translation of operations of subsidiaries and associates and net gain not recognised in the income statement	–	–	–	–	–	4	–	–	4
Issue of shares upon the exercise of warrants	749	1,187	–	–	–	–	–	–	1,936
Transfer of warrant reserve upon exercise of warrants	–	2,033	–	(2,033)	–	–	–	–	–
Transfer of reserve	–	–	–	–	165	–	–	(165)	–
Net loss for the period	–	–	–	–	–	–	–	(3,101)	(3,101)
Balance at 30 June 2002	8,348	44,957	716	1,569	2,062	(87)	4	(23,676)	33,893

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
For the six months ended 30 June 2002

	1.1.2002 to 30.6.2002 (Unaudited) *US$'000*	1.1.2001 to 30.6.2001 (Unaudited) *US$'000*
Net cash from (used in) operating activities	863	(3,913)
Net cash used in investing activities	(107)	(156)
Net cash (used in) from financing activities	(846)	13,066
(Decrease) increase in cash and cash equivalents	(90)	8,997
Effect of changes in foreign exchange rates	–	(256)
Cash and cash equivalents at beginning of the period	1,947	(4,694)
Cash and cash equivalents at end of the period	1,857	4,047

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. Basis of preparation

The condensed financial statements have been prepared under the historical cost convention and in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants.

2. Principal accounting policies

The accounting policies adopted are consistent with those followed in the preparation of the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2001, except as the Company has adopted, for the first time in the current period, the following new and revised SSAPs issued by the Hong Kong Society of Accountants:

SSAP No. 1 (Revised)	Presentation of financial statements
SSAP No. 15 (Revised)	Cash flow statements
SSAP No. 34	Employee benefits

The adoption of these new and revised SSAPs has resulted in a change in the format of presentation of condensed consolidated cash flow statement and the adoption of the condensed consolidated statement of changes in equity of the Group. Comparative figures for prior period have been restated in order to achieve a consistent presentation. The adoption of these SSAPs has had no significant effect on the results of the Group for the current or prior periods.

3. Segment information

(a) *Business segments*

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

Principal activities:

Blockboard and particle board	– manufacture and trading of products of blockboard and particle board
Door skin	– manufacture and trading of door skin
Furniture	– manufacture and trading of furniture
Other wooden products	– manufacture and trading of wooden products other than those identified as above

For the six months ended 30 June 2002

	Blockboard and particle board US$'000	Door skin US$'000	Furniture US$'000	Other wooden products US$'000	Others US$'000	Consolidated US$'000
TURNOVER						
External sales	12,397	658	–	924	283	14,262
SEGMENT RESULT	(793)	169	–	(153)	74	(703)
Unallocated corporate expenses						(1,949)
Finance costs, net of interest income						(796)
Share of results of associates	(14)	–	309	(52)	–	243
Loss before taxation						(3,205)
Taxation						(112)
Loss before minority interests						(3,317)

For the six months ended 30 June 2001

	Blockboard and particle board US$'000	Door skin US$'000	Furniture US$'000	Other wooden products US$'000	Others US$'000	Inter-segment eliminations US$'000	Consolidated US$'000
TURNOVER							
External sales	15,261	707	–	1,513	–	–	17,481
Inter-segment sales	1,055	–	–	738	–	(1,793)	–
Total revenue	16,316	707	–	2,251	–	(1,793)	17,481

Inter-segment sales are charged at prevailing market prices.

	Blockboard and particle board US$'000	Door skin US$'000	Furniture US$'000	Other wooden products US$'000	Others US$'000	Inter-segment eliminations US$'000	Consolidated US$'000
SEGMENT RESULT	1,121	284	–	35	–	–	1,440
Unallocated corporate expenses							(1,784)
Finance costs, net of interest income							(579)
Share of results of associates	(77)	–	190	(29)	–	–	84
Net gain arising from corporate restructuring							25,959
Write back of provision for loss for bank guarantees granted to associates							4,000
Allowance for amount due from an associate							(181)
Profit before taxation							28,939
Taxation							(178)
Profit before minority interests							28,761

(b) Geographical segments

The Group has a presence in the People's Republic of China (the "PRC"), Hong Kong and Singapore. Manufacture of the wooden products is carried out in the PRC.

	Turnover		**Results**	
	1.1.2002 to 30.6.2002	**1.1.2001 to 30.6.2001**	**1.1.2002 to 30.6.2002**	**1.1.2001 to 30.6.2001**
	US$'000	*US$'000*	*US$'000*	*US$'000*
The PRC	13,590	16,549	(721)	1,307
Others	672	932	19	157
	14,262	17,481	(702)	1,464
Unallocated corporate expenses			(1,949)	(1,784)
Loss from operations			(2,651)	(320)

4. Loss from operations

	1.1.2002 to 30.6.2002	**1.1.2001 to 30.6.2001**
	US$'000	*US$'000*
Loss from operations has been arrived at after charging:		
Depreciation of property, plant and equipment	2,155	2,647
Allowance for bad and doubtful debts	629	261
and after crediting:		
Interest income	1	24
Value added tax refund *(Note)*	787	839

Note: Certain subsidiaries of the Company established in the PRC are involved in the production of wooden products which require the use of raw materials that are environmental friendly. Pursuant to the relevant rules and regulations of the PRC governing the value added tax ("VAT") treatment of such subsidiaries, during the six months ended 30 June 2002, VAT refund totalling US$787,000 (six months ended 30 June 2001: US$839,000) were obtained by these subsidiaries.

5. Net gain arising from corporate restructuring

The gain in the last period represented the net amount of loans and accrued interest waived by certain of the Group's bankers and the liquidator of a financial institution in Hong Kong (collectively the "Creditors"), less legal and professional fees, pursuant to a compromise agreement entered into between the Company and the Creditors as part of a scheme of corporate restructuring (the "Restructuring Scheme"), which was approved by the shareholders in a special general meeting held on 23 March 2001. Details of the Restructuring Scheme are set out in the circular dated 5 February 2001 issued in connection with the corporate restructuring.

6. Write back of provision for loss for bank guarantees granted to associates

The provision in the last period represented bank guarantees granted to certain associates in the financial year ended 31 December 1999. Following the completion of the Restructuring Scheme on 30 March 2001, the guarantees were released and the provision has accordingly been written back to the Group's income statement.

7. Taxation

	1.1.2002 to 30.6.2002 *US$'000*	**1.1.2001 to 30.6.2001** *US$'000*
The tax charge comprises:		
The Company and subsidiaries:		
Taxation in the PRC	39	45
Deferred taxation	–	83
	39	128
Share of taxation of associates:		
Taxation in the PRC	73	50
	112	178

No provision for Hong Kong Profits Tax has been made as the Company and its subsidiaries incorporated in Hong Kong had no assessable profits for both periods.

The subsidiaries and associates established in the PRC are exempted from paying PRC enterprise income tax for the first two profit-making years followed by a 50% reduction in the enterprise income tax rates in the following three years. PRC enterprise income tax is provided for with reference to the applicable tax rates prevailing in the respective regions of the PRC on the estimated assessable profits of those subsidiaries and associates.

The Group had no material unprovided deferred taxation for both periods.

8. (Loss) earnings per share

The calculation of the basic and diluted (loss) earnings per share for the period is computed based on the following data:

	1.1.2002 to 30.6.2002 *US$'000*	**1.1.2001 to 30.6.2001** *US$'000*
Net (loss) profit for the period and (loss) earnings for the purposes of basic and diluted earnings per share	(3,101)	28,881
	Number of shares	
Weighted average number of shares for the purposes of basic (loss) earnings per share	7,859,484,608	3,833,224,383
Effect of dilutive warrants		113,014,094
Weighted average number of shares for the purposes of diluted earnings per share		3,946,238,477

No diluted loss per share is presented for the period from 1 January 2002 to 30 June 2002 as the exercise of the outstanding options and warrants would result in a decrease in the loss per share.

9. Property, plant and equipment

During the six months ended 30 June 2002, the Group spent approximately US$109,000 (six months ended 30 June 2001: US$490,000) on acquisitions of property, plant and equipment.

10. Trade and other receivables

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

	30.6.2002	**31.12.2001**
	US$'000	*US$'000*
0 – 90 days	5,882	7,168
91 – 180 days	1,842	1,049
More than 180 days	917	469
	8,641	8,686
Other receivables	5,192	3,680
	13,833	12,366

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

11. Trade and other payables

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

	30.6.2002	**31.12.2001**
	US$'000	*US$'000*
0 – 90 days	2,034	2,573
91 – 180 days	193	505
More than 180 days	2,244	847
	4,471	3,925
Other payables	5,255	5,811
	9,726	9,736

12. Bank and other borrowings

During the six months ended 30 June 2002, the Group repaid bank loans totalling US$5,675,000 and obtained new bank loans totalling US$4,365,000 of which the proceeds were used for general working capital. All borrowings bear interest at prevailing market rates and are repayable within five years.

13. Share capital

	Number of shares	**Amount**
		US$'000
Authorised:		
At 31 December 2001 and 30 June 2002, ordinary shares of US$0.001 each	100,000,000,000	100,000
Issued and fully paid:		
At 1 January 2002, ordinary shares of US$0.001 each	7,598,875,378	7,599
Issue of shares upon the exercise of warrants *(Note)*	749,256,576	749
At 30 June 2002, ordinary shares of US$0.001 each	8,348,131,954	8,348

Note:

During the period, the registered holders of 749,256,576 units of warrants exercised their rights to subscribe for ordinary shares at the subscription price of HK$0.02 per share. All shares issued rank pari passu with the then existing shares in issue in all respects.

14. Capital commitments

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

	30.6.2002	**31.12.2001**
	US$'000	*US$'000*
Capital expenditure in respect of acquisition of property, plant and equipment contracted but not provided for in the financial statements	2,201	2,201

In addition, at 30 June 2002 and 31 December 2001, the Group has entered into an agreement to acquire 51% equity interest in瀋陽福昇中密度板有限公司Shenyan Fusheng Wood Chipboard Co., Ltd. ("Fusheng"), a sino-foreign joint venture company established in the PRC, from S.T.J. Technology Limited ("STJ"), a company in which Dr. Yang Ding-Yuan, a director of the Company, is the controlling shareholder, at a total consideration of NT$55.5 million (equivalent to approximately US$1.6 million) of which the Group has made the payment of NT$3,000,000 (equivalent to approximately US$86,000) as a deposit for the acquisition. The Group is therefore committed to the contribution of the remaining balance of capital investment in Fusheng in accordance with the terms as set out and disclosed in the circular to the shareholders of the Company dated 1 November 2001. The transaction has been completed on 6 August 2002 upon the receipt of consents of relevant government authorities in the PRC in July 2002. Details of the subsequent settlement of the consideration are set out in note 17 (b).

15. Pledge of assets

At 30 June 2002, certain of the Group's property, plant and equipment with an aggregate net book value of US$4,322,000 (at 31 December 2001: US$4,524,000) were pledged to various banks for securing bank loans and general banking facilities granted to the Group.

16. Contingent liabilities

One of the Group's associates, Tianjin Fortune Timber Co., Ltd. 天津福津木業有限公司 ("TFT"), is currently being sued by its bankers to repay bank loans of approximately RMB73.6 million. This amount has not been equity accounted for on consolidation as TFT has net deficit at 30 June 2002. However, this amount has been guaranteed by another associate, Tianjin Fortune Furniture Co. Ltd. 天津福家家具有限公司 ("TFFCL"). Both TFT and TFFCL are currently in negotiations with the bankers of TFT for the restructuring of the borrowings of TFT and for rearranging the guarantees granted by TFFCL. As the negotiations have not been completed as of the date of this report, the ultimate outcome cannot be determined by the directors, and accordingly, the effect of this litigation on the Group's share of TFFCL's net assets of approximately US$4,087,000 at 30 June 2002 (at 31 December 2001; US$3,852,000) has not been adjusted.

17. Post balance sheet events

(a) On 22 July 2002, the Group has entered into an acquisition agreement with an independent third party to acquire 6,864,600 common shares of Sota Design Technology Inc. ("Sota"), representing approximately 51.6% of the entire issued share capital of Sota, for a consideration of NT$241,500,000 (equivalent to approximately US$7,431,000). Sota is a private company established under the laws of Republic of China. It is engaged in the business of providing IC design services mostly in Taiwan and the United States of America which include front end and back end design and manufacturing logistic services to its customers. The acquisition will be completed within 60 days after the date on which all conditions set out for the acquisition have been satisfied. If the completion shall not have occurred on or before 31 December 2002, either the Group or the vendor may by written notice cancel the acquisition agreement. Details of the acquisition are set out in the circular to the shareholders of the Company dated 9 August 2002.

(b) On 6 August 2002, the transaction to acquire 51% equity interest in Fusheng from STJ has been completed. On the same date, pursuant to the completion of the acquisition, the Company issued convertible note in the principal amount of HK$9,315,000 (equivalent to approximately US$1,175,000) to STJ in accordance with the terms as set out and disclosed in the circular to the shareholders of the Company dated 1 November 2001. The remaining unpaid balance of the consideration amounted to NT$12 million (equivalent to approximately US$348,000) will be satisfied in cash under further arrangement.

(c) On 19 August 2002, Global Innovation Investment Limited ("GIIL"), the major shareholder of the Company, has entered into a placing agreement with six independent professional and/or institutional investors ("Placees") and pursuant to which GIIL will place a total of 392,500,000 existing shares to the Placees at a price of HK$0.032 per share. On the same date, GIIL has entered into an subscription agreement with the Company and pursuant to which the Company has conditionally agreed to allot and issue to GIIL and GIIL has agreed to subscribe for 784,500,000 new ordinary shares which will allow GIIL to retain up to the same percentage shareholding it held in the Company immediately prior to completion of the placing agreement at a price of HK$0.032 per share GIIL subscribed. The newly issued ordinary shares will rank pari passu in all respects with the existing ordinary shares in issue as at the completion of the subscription. The net proceeds received by the Company under the subscription amounted to approximately HK$25,000,000. The net proceeds from the subscription will be used as to approximately HK$24,000,000 to finance the acquisition of Sota as mentioned in (a) above and as to a balance of approximately HK$1,000,000 for additional working capital of the Group.