福邦控股

Fulbond Holdings Limited
福邦控股有限公司

INTERIM REPORT 2003
二零零三年中期報告

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 2003. The results though unaudited, have been reviewed by Deloitte Touche Tohmatsu.

RESULTS

For the six months ended 30 June 2003, the Group recorded a turnover of US$13,759,000 with net loss after taxation and minority interests of US$3,515,000.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2003 (2002: Nil).

BUSINESS REVIEW

During the period under review, the Group recorded a turnover of US$13,759,000 representing a decrease of 3.5% as compared to the US$14,262,000 recorded in the corresponding period last year. Net loss was US$3,515,000, compared to last year's loss of US$3,078,000.

In the first half of 2003, the sluggish global economy and the keen market competition created a poor business environment for most industries. Starting from April, the situation was further complicated by the SARS outbreak. The Company's business was inevitably affected by the general difficult environment, recorded a less than satisfactory business performance during the period. As the Group is still in the early stages of the high technology business, the contribution from this sector represented an insignificant percentage of the Group's total turnover.

The Timber Business

The timber business continued to be the principal activity for the Group. Despite flat sales, Jilin Fudun Timber Company Limited ("Fudun"), a 67%-owned subsidiary of the Company, showed strong momentum for its door skin products during the period under review. As the leading supplier of molded door skin in China, Fudun is ideally positioned to leverage its superior manufacturing capabilities and well-established distribution network to capitalize on the increasing acceptance of molded doors in China. The profit contribution is expected to increase with the gradual shift of the product mix towards door skin, a high margin product.

The High Technology Related Business

Leveraging the management's extensive business network and staff expertise, the Group's IC design services arm began to generate income in the last quarter of 2002. The Group is committed to forming alliances in the PRC, Japan and the USA, aiming to strengthen the Group's worldwide coverage to provide System on Chip solutions and services to customers. At the same time, the Group is actively exploring and developing potential products that it can introduce to the market.

PROSPECTS

Looking forward, the Group will take a two-pronged approach to conduct its timber business: improving efficiency and capturing new opportunities.

On the front of efficiency improvement, the Group is taking proactive steps to improve its cost structure through aggressive streamlining and exiting unprofitable ventures.

On pursuing new opportunities, the Company, jointly with the management of its subsidiaries, has been actively evaluating a few investment options, to tap on the healthy and rapidly growing segments of the timber market in China.

Apart from the timber business, the Group has been taking an active approach by co-operating with strategic partners. In July 2003, the Group's subsidiary – Fulhua Microelectronics Corporation ("FameG") allotted 2,812,500 and 312,500 new shares to Mitsubishi Corporation ("MC") and Mitsubishi Corporation (Taiwan) Limited ("MC Taiwan") at the consideration of US$2,250,000 and US$250,000 respectively.

The alliance was established between FameG and MC's new business division – Technology Alliance Group, which is principally engaged in the creation of the semiconductor business. With this alliance, FameG will be able to access the Intellectual Property of the Japanese companies and further enhance the Large Scale Integrated Circuit development capabilities. As for MC and MC Taiwan, they will be able to utilize FameG's network in the PRC to extend their client bases. This mutually beneficial alliance will pave the way for all three parties to seize rising opportunities in the China market.

Statistics show that the semiconductor market in China will sustain an annual growth rate of 30%, which will establish China as the third largest market in the world, after the US and Japan. To seize rising opportunities, FameG set up a Shanghai subsidiary in September 2003, which together with the alliance with MC and MC Taiwan, will enable the Group to gain increasing recognition among potential PRC customers and propel it forward to become one of the leading IC design services providers in the Greater China region.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and Capital Resources

As at 30 June 2003, the net cash balances of the Group stood at US$4,288,000.

Total bank and other borrowings as at 30 June 2003 were US$15,250,000. Bank loans are mainly denominated in Reminbi and US dollars. The Group's sales and purchases are also mainly denominated in Reminbi and US dollars. As the exchange rates of Reminbi and US dollars against Hong Kong dollars were stable during the period, the Group's exposure to any fluctuations in exchange rates was minimal.

The gearing ratio of the Group was 38.99% (gearing ratio as a percentage of total borrowings over non-current assets). As at the period end, the Group's total shareholders' equity was US$24,171,000.

Employment and Remuneration Policy

The Company had approximately 1,100 full-time employees as at 30 June 2003 in the PRC, Taiwan and Hong Kong. Employee remuneration policies and packages are reviewed yearly. Remuneration, bonuses and share options are awarded to employees based on individual performances and market practices.

DIRECTORS' INTERESTS

As at 30 June 2003, the interests and short position of the directors and chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept under section 352 of the SFO, are set out below:

Long positions in interests in the shares of the Company

Name of Director	Nature of interest	Number of shares held	% of issued share capital
Yang Ding-Yuan	Corporate *(note)*	5,094,288,616	55.77

Note: Dr. Yang Ding-Yuan is the controlling shareholder of S.T.J. Technology Limited ("STJ") which owns 5,094,288,616 shares of the Company as at 30 June 2003.

Long Position in underlying shares

Name of Director	Nature of interest	Number of underlying shares
Yang Ding-Yuan	Corporate *(note)*	232,875,000

Note: Dr. Yang Ding-Yuan is the controlling shareholder of STJ which owned 232,875,000 underlying shares under a non-interest bearing convertible note in the principle amount of HK$9,315,000 due August 2004.

Share Options

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

During the six month period ended 30 June 2003, the movements in the number of options outstanding which have been granted by the Company to the Directors, executives and employees of the Company under the Company's share option schemes were set out below:

				Number of share options			
	Date of grant	Exercise period	Exercise Price	At 1 Jan 2003	Granted during the period	Cancelled during the period	At 30 June 2003
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
Executives and employees							
	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
	24 January 2003	27 June 2003-23 January 2013	HK$0.021	–	60,000,000	–	60,000,000
	28 January 2003	1 February 2004-27 January 2013	HK$0.02	–	20,000,000	–	20,000,000
	28 January 2003	1 February 2005-27 January 2013	HK$0.02	–	16,000,000	–	16,000,000
Total executives and employees				78,000,000	96,000,000	–	174,000,000
Total all categories				328,000,000	96,000,000	–	424,000,000

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

The closing price of the Company's shares immediately before 24 January 2003 and 28 January 2003, the dates of grant of the share options, were HK$0.02 and HK$0.021 respectively.

As at 30 June 2003, 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 fair values of the options granted in the current period measured as at the dates of grant on 30 April 2002, 24 January 2003 and 28 January 2003 were HK$0.0495, HK$0.0197 and HK$0.0206, respectively. The following significant assumptions were used to derive the fair values using the Black-Scholes option-pricing model:

Date of grant	**30 April 2002**	**24 January 2003**	**28 January 2003**
Risk free interest rate	5.89%	3.93%	4.45%
Expected life (in years)	10	10	10
Expected volatility	151%	151%	151%
Expected annual dividend yield	Nil	Nil	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.

Apart from the above, no other interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporations as at 30 June 2003 were recorded in the register required to be kept under section 352 of the SFO.

Save as mentioned above, at no time during the period was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the Directors or chief executives 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 2003, the register of the substantial shareholders maintained under Section 336 of the SFO shows that the Company had been notified of the following shareholder's interests, being 5% or more of the issued share capital:

		Number of shares held in the Company			
Name	*Notes*	**Direct interests**	**Deemed interests**	**Total interests**	**% of issued share capital**
Global Innovation Investment Limited ("GIIL")	*1*	4,564,370,084	–	4,564,370,084	49.97
STJ	*1*	529,918,532	4,564,370,084	5,094,288,616	55.77
Yang Ding-Yuan	*2*	–	5,094,288,616	5,094,288,616	55.77

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 SFO to be interested in the Company's shares in which GIIL is interested.

2. STJ is wholly owned by Dr. Yang Ding-Yuan and his family members. Dr. Yang Ding-Yuan is, by virtue of the SFO, deemed to be interested in the Company's shares in which STJ is interested.

Save as disclosed above, as at 30 June 2003, the Company has not been notified by any persons (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

PURCHASE, SALES OR REDEMPTION OF SHARES

During the period, neither the Company, nor any 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 2003 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, 26 September 2003

INDEPENDENT REVIEW REPORT

TO THE BOARD OF DIRECTORS OF FULBOND HOLDINGS LIMITED
福邦控股有限公司
(incorporated in Bermuda with limited liability)

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.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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 2003.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, 26 September 2003

CONDENSED CONSOLIDATED INCOME STATEMENT
For the six months ended 30 June 2003

	NOTES	1.1.2003 to 30.6.2003 (Unaudited) US$'000	1.1.2002 to 30.6.2002 (Unaudited and restated) US$'000
Turnover	3	13,759	14,262
Cost of sales		(12,596)	(13,306)
Gross profit		1,163	956
Other operating income		1,249	999
Distribution costs		(1,562)	(1,160)
Administrative expenses		(3,222)	(3,446)
Loss from operations	4	(2,372)	(2,651)
Finance costs		(639)	(797)
Gain on disposal of subsidiaries		29	–
Share of results of associates		(1,264)	243
Loss before taxation		(4,246)	(3,205)
Taxation	5	192	(53)
Loss before minority interests		(4,054)	(3,258)
Minority interests		539	180
Net loss for the period		(3,515)	(3,078)
Loss per share	6		
– Basic		US(0.04) cents	US(0.04) cents
– Diluted		N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET
At 30 June 2003

	NOTES	30.6.2003 (Unaudited) US$'000	31.12.2002 (Audited and restated) US$'000
Non-current assets			
Property, plant and equipment	7	29,375	36,215
Interests in associates		3,756	4,544
Goodwill		2,747	3,079
Investments in securities		1,974	1,974
Club debenture		37	37
Deferred taxation		1,220	990
		39,109	46,839
Current assets			
Inventories		9,037	7,859
Investment in securities		759	945
Trade and other receivables	8	11,330	11,397
Amounts due from associates		2,528	2,525
Bank balances and cash		4,288	5,026
		27,942	27,752
Current liabilities			
Trade and other payables	9	8,563	7,032
Bills payable		317	186
Amount due to ultimate holding company		357	357
Taxation		132	173
Bank and other borrowings – amount due within one year	10	14,061	16,020
		23,430	23,768
Net current assets		4,512	3,984
		43,621	50,823
Capital and reserves			
Share capital		9,134	9,134
Reserves		15,037	17,820
		24,171	26,954
Minority interests		17,057	17,621
Non-current liabilities			
Bank and other borrowings – amount due after one year	10	1,189	5,044
Convertible note		1,204	1,204
		2,393	6,248
		43,621	50,823

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2003

	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 2002									
– as previously reported	7,599	41,737	716	3,602	1,897	(91)	4	(20,410)	35,054
– prior period adjustment *(note 2)*	–	–	–	–	–	–	–	298	298
– as restated	7,599	41,737	716	3,602	1,897	(91)	4	(20,112)	35,352
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	–	–	–	–	–	–	–	(3,078)	(3,078)
Balance at 30 June 2002	8,348	44,957	716	1,569	2,062	(87)	4	(23,355)	34,214
Balance at 1 January 2003									
– as previously reported	9,134	47,423	716	1,564	2,048	(88)	4	(34,453)	26,348
– prior period adjustment *(note 2)*	–	–	–	–	–	–	–	606	606
– as restated	9,134	47,423	716	1,564	2,048	(88)	4	(33,847)	26,954
Transfer of reserve upon disposal of subsidiaries	–	–	–	–	(189)	732	–	189	732
Net loss for the period	–	–	–	–	–	–	–	(3,515)	(3,515)
Balance at 30 June 2003	9,134	47,423	716	1,564	1,859	644	4	(37,173)	24,171

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
For the six months ended 30 June 2003

	1.1.2003 to 30.6.2003 (Unaudited) *US$'000*	**1.1.2002 to 30.6.2002 (Unaudited)** *US$'000*
Net cash (used in) generated from operating activities	(615)	863
Net cash used in investing activities	(520)	(107)
Net cash generated from (used in) financing activities	425	(846)
Decrease in cash and cash equivalents	(710)	(90)
Cash and cash equivalents at beginning of the period	4,998	1,947
Cash and cash equivalents at end of the period, representing bank balances and cash	4,288	1,857

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
For the six months ended 30 June 2003

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 with 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 2002, except that the Company has adopted, for the first time in the current period, SSAP No. 12 (Revised) "Income taxes" ("SSAP 12 (Revised)") issued by the Hong Kong Society of Accountants.

SSAP 12 (Revised) has introduced a new basis of accounting for income taxes (including both current tax and deferred tax) and additional disclosure requirements which have been adopted in the condensed financial statements. The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding taxes bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. Comparative amounts for prior period have been restated accordingly.

The financial effect of the adoption of SSAP 12 (Revised) is summarised below:

	Deferred tax assets *US$'000*	**Interest in associates** *US$'000*	**Minority interests** *US$'000*	**Accumulated losses** *US$'000*
Balance at 31 December 2002				
As originally stated	410	4,306	(17,409)	(34,453)
Recognition of deferred tax assets	580	–	(212)	368
Recognition of deferred tax assets of an associate	–	238	–	238
As restated	990	4,544	(17,621)	(33,847)
Balance at 31 December 2001				
As originally stated	36	6,070	(11,245)	(20,410)
Recognition of deferred tax assets	251	–	(79)	172
Recognition of deferred tax assets of an associate	–	126	–	126
As restated	287	6,196	(11,324)	(20,112)

The effect of these changes in accounting policy on the results for the current and prior periods is as follows:

	Six months ended 30.6.2003 *US$'000*	**Twelve months ended 31.12.2002** *US$'000*	**Six months ended 30.6.2002** *US$'000*
Recognition of deferred tax assets	230	329	59
Recognition of deferred tax assets shared by minority interests	(22)	(133)	(36)
Share of deferred tax of an associate	(6)	112	–
	202	308	23

Other than as described above, the accounting policies adopted in the preparation of the condensed financial statements are consistent with those followed in the preparation of the Group's annual audited financial statements for the year ended 31 December 2002.

3. Segment information

(a) *Business segments*

For management purposes, the Group is currently organised into six 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 above
IC design	–	provision of IC design services
Others	–	high-technology related business other than provision of IC design services

For the six months ended 30 June 2003

	Blockboard and particle board US$'000	Door skin US$'000	Furniture US$'000	Other wooden products US$'000	IC design US$'000	Others US$'000	Consolidated US$'000
TURNOVER							
External sales	9,740	746	–	2,029	977	267	13,759
SEGMENT RESULT	(1,104)	40	–	(9)	(480)	(16)	(1,569)
Unallocated corporate expenses							(803)
Finance costs							(639)
Gain on disposal of subsidiaries							29
Share of results of associates	45	–	175	(1,484)	–	–	(1,264)
Loss before taxation							(4,246)
Taxation							192
Loss before minority interests							(4,054)

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	IC design US$'000	Others US$'000	Con-solidated US$'000
TURNOVER							
External sales	12,397	658	–	924	–	283	14,262
SEGMENT RESULT	(793)	169	–	(153)	–	75	(702)
Unallocated corporate expenses							(1,949)
Finance costs							(797)
Share of results of associates	(14)	–	309	(52)	–	–	243
Loss before taxation							(3,205)
Taxation							(53)
Loss before minority interests							(3,258)

(b) *Geographical segments*

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

	Turnover		Results	
	1.1.2003 to 30.6.2003 US$'000	**1.1.2002 to 30.6.2002** US$'000	**1.1.2003 to 30.6.2003** US$'000	**1.1.2002 to 30.6.2002** US$'000
The PRC	11,914	13,590	(208)	(721)
Others	1,845	672	(1,361)	19
	13,759	14,262	(1,569)	(702)
Unallocated corporate expenses			(803)	(1,949)
Loss from operations			(2,372)	(2,651)

4. Loss from operations

	1.1.2003 to 30.6.2003 *US$'000*	1.1.2002 to 30.6.2002 *US$'000*
Loss from operations has been arrived at after charging:		
Allowance for bad and doubtful debts	82	629
Amortisation of goodwill (included in administrative expenses)	332	–
Depreciation and amortisation of property, plant and equipment	2,217	2,155
and after crediting:		
Interest income	7	1
Value added tax refund *(Note)*	785	787
Net realised gain on disposals of investments in securities	3	–

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 2003, VAT refund totalling US$785,000 (six months ended 30 June 2002: US$787,000) were obtained by these subsidiaries.

5. Taxation

	1.1.2003 to 30.6.2003 *US$'000*	1.1.2002 to 30.6.2002 *US$'000*
The (credit) charge comprises:		
The Company and subsidiaries:		
Hong Kong Profits Tax	–	–
PRC Enterprise Income Tax	31	39
Deferred tax credit	(230)	(59)
	(199)	(20)
Share of taxation of associates:		
PRC Enterprise Income Tax	1	73
Deferred tax credit	6	–
	(192)	53

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 does not incur any significant tax liabilities in any other jurisdiction.

6. Loss per share

The calculation of the basic loss per share for the period is computed based on the following data:

	1.1.2003 to 30.6.2003 *US$'000*	**1.1.2002 to 30.6.2002** *US$'000*
Net loss for the period and loss for the purposes of basic and diluted earnings per share	(3,515)	(3,078)
	Number of shares	**Number of shares**
Weighted average number of shares for the purposes of basic loss per share	9,134,431,954	7,859,484,608

No diluted loss per share is presented for the period from 1 January 2002 to 30 June 2002 and 1 January 2003 to 30 June 2003 as the exercise of the outstanding options, warrants and convertible notes would result in a decrease in the loss per share.

7. Property, plant and equipment

During the six months ended 30 June 2003, the Group spent approximately US$446,000 (six months ended 30 June 2002: US$109,000) on acquisitions of property, plant and equipment.

8. Trade and other receivables

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

	30.6.2003 *US$'000*	**31.12.2002** *US$'000*
0 – 90 days	4,859	2,277
91 – 180 days	1,291	2,264
More than 180 days	683	1,510
	6,833	6,051
Other receivables	4,497	5,346
	11,330	11,397

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

9. TRADE AND OTHER PAYABLES

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

	30.6.2003 *US$'000*	**31.12.2002** *US$'000*
0 – 90 days	2,611	1,752
91 – 180 days	14	435
More than 180 days	972	1,152
	3,597	3,339
Other payables	4,966	3,693
	8,563	7,032

10. Bank and other borrowings

During the six months ended 30 June 2003, the Group repaid bank loans totalling US$1,106,000 and obtained new bank loans and other borrowings totalling US$1,503,000, the proceeds from which were used for general working capital. Bank loans of US$6,211,000 were released upon disposal of a subsidiary. All borrowings bear interest at prevailing market rates and are repayable within five years.

11. Capital commitments

At the balance sheet date, the Group did not have any capital commitment.

12. Pledge of assets

At 30 June 2003, the Group has pledged certain properties with a carrying value of US$249,000 (31 December 2002: US$322,000) and other property, plant and equipment of US$14,963,000 (31 December 2002: US$18,004,000) to various banks for securing bank loans and general banking facilities granted to the Group.

13. 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 for the repayment bank loans of approximately RMB73.6 million. This amount has not been equity accounted for on consolidation as TFT has a net deficit at 30 June 2003. 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$2,972,000 at 30 June 2003 (31 December 2002; US$2,566,000) has not been adjusted.

14. Post balance sheet event

In July 2003, one of the Group's subsidiaries, Fulhua Microelectronics Corporation allotted 2,812,500 and 312,500 new shares to Mitsubishi Corporation and Mitsubishi Corporation (Taiwan) Limited at the consideration of US$2,250,000 and US$250,000 respectively.