Notes to the Accounts

31st December, 2003
(Amounts expressed in United States dollar unless otherwise stated)

1. GROUP ORGANISATION AND OPERATIONS

Pacific Plywood Holdings Limited ("the Company") was incorporated in Bermuda on 9th May, 1994.

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 SEHK") since 20th November, 1995.

The directors of the Company consider SMI International Limited, a company incorporated in the British Virgin Islands, to be the ultimate holding company.

2. GOING CONCERN

As at 31st December, 2003, the Group had net current liabilities of approximately $14,178,000 (2002 – $9,607,000) and outstanding bank loans of approximately $78,677,000 (2002 – $80,061,000) of which approximately $24,067,000 (2002 – $13,645,000) was due for repayment within the next twelve months.

Subsequent to 31st December, 2003, the Group has successfully renewed short-term bank loans of approximately $11,913,000 for a further year to the first quarter of 2005, and has secured additional trade finance banking facilities of approximately $1,316,000.

In addition, the Group is currently in negotiation with one of its principal bankers for a rescheduling of the repayment terms of certain long term bank loans granted to a wholly owned subsidiary amounting to approximately $59,211,000. As at the date of approval of these accounts, the Group has obtained in-principle approval from the bank to reschedule the repayments of the aforementioned bank loans to the effect that the bank loans would become repayable by instalments from 2004 to 2015. As a result, the principal amount of the long term bank loans repayable in the next twelve months from 31st December, 2003 would have been reduced from approximately $11,418,000 to $3,174,000. The final legal documentation and other detailed terms of the rescheduling arrangement are yet to be finalised.

2. GOING CONCERN *(Continued)*

In the opinion of the directors, these measures, in addition to the Group's continuing efforts to minimise capital expenditures, rationalise costs and enhance operating results, have improved and will continue to improve the Group's working capital and debt maturity profile. Furthermore, the directors consider that the Group will be able to obtain ongoing support from its bankers and 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 in full its financial obligations as they fall due for the twelve months from 31st December, 2003. Accordingly, assuming the legal documents relating to the rescheduling of the aforementioned bank loans are completed as anticipated and assuming the performance of the business is in line with the directors' expectations, the directors are satisfied that it is appropriate to prepare the accounts on a going concern basis. The accounts 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. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these accounts are set out as below:

(a) Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants ("HKSA"). They have been prepared under the historical cost convention.

In the current year, the Group adopted SSAP 12 "Income Taxes" issued by the Hong Kong Society of Accountants which is effective for accounting periods commencing on or after 1st January, 2003.

The changes to the Group's accounting policies and the effect of adopting the new policies are set out below.

(b) Group accounting

(i) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st December.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(b) Group accounting *(Continued)*

(i) Consolidation (Continued)

Subsidiaries are those entities in which the Company, directly or indirectly, controls more than one half of the voting power; has the power to govern the financial and operating policies; to appoint or remove the majority of the members of the board of directors; or to cast majority of votes at the meetings of the board of directors.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

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

(ii) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

The Group prepares consolidated accounts in United States dollar. For consolidation purposes, the balance sheet of subsidiaries expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss account is translated at an average rate. Exchange differences are dealt with as a movement in reserves.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(c) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the profit and loss account in the year in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset beyond its originally assessed standard of performances, the expenditure is capitalised as an additional cost of the asset.

Depreciation is calculated on a straight-line basis at annual rates estimated to write off the cost of each asset over its expected useful life. Leasehold land is depreciated over the period of the respective lease. Leasehold improvements are depreciated over the shorter of expected useful life and period of the respective lease. The annual rates are as follows:

Leasehold land	Over the period of the lease
Buildings	2 – 10%
Leasehold improvements	Over the shorter of expected useful life and period of the lease
Plant and machinery	6 – 20%
Furniture, fittings and equipment	10 – 33%
Motor vehicles	12.5 – 20%
Jetty	2%

The useful lives of the assets and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

Construction-in-progress ("CIP") consists mainly of plant and properties under construction and machinery and equipment pending installation. CIP is stated at cost less accumulated impairment losses. Costs include land costs, construction expenditures incurred, costs of machinery, interests and other direct costs capitalised during the construction and installation period. No depreciation is provided for CIP until the assets are completed and ready for their intended use.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(c) Property, plant and equipment and depreciation *(Continued)*

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that assets included in property, plant and equipment are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

(d) Assets under leases

(i) Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Each lease payment is allocated between the capital and finance charges so as to achieve a constant rate on the capital balances outstanding. The corresponding rental obligations, net of finance charges, are included in long term liabilities with the current portion included in current liabilities. The finance charges are charged to the profit and loss account over the lease periods.

Assets held under financial leases are depreciated over the shorter of their estimated useful lives or the lease periods.

(ii) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases. Payments made under operating leases are charged to the profit and loss account on a straight-line basis over the lease periods.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(e) Inventories

Inventories comprise raw materials, work-in-progress and finished goods and are stated at the lower of cost and net realisable value. Cost, calculated on the weighted average basis, comprises materials, direct labour and an appropriate proportion of all production overhead expenditure. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(f) Trade receivables

Provision is made against trade receivables to the extent they are considered to be doubtful. Trade receivables in the balance sheet are stated net of such provision.

(g) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and deposits held at call with banks.

(h) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service 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 recognised until the time of leave.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(h) Employee benefits *(Continued)*

(ii) Employee retirement benefits

The Group operates a number of defined contribution plans throughout the world, the assets of which are generally held in separate administered funds. The pension plans are generally funded by payments from employees and by the relevant Group companies. Details of the Group's employee retirement benefits are set out in Note 29.

The Group's contributions to defined contribution pension plans are charged to the profit and loss account in the period to which the contributions relate.

(iii) Equity compensation benefits

Share options are granted to directors and to employees. If the options are granted at the market price of the shares on the date of the grant and are exercisable at that price, no compensation cost is recognised. If the options are granted at a discount on the market price, the discount is recognised in the profit and loss account as a compensation cost and recognised in the balance sheet as an increase to equity. When the options are exercised, the proceeds received net of any transaction costs are credited to share capital (nominal value) and share premium.

(i) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

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

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(i) Deferred taxation *(Continued)*

In prior year, deferred taxation was accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. The adoption of the new SSAP 12 represents a change in accounting policy, which has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

As detailed in Note 21 to the accounts, accumulated losses as at 1st January, 2003 and 2002 have been reduced by approximately $1,516,000 and $766,000 respectively, which represents the unprovided net deferred tax assets. This change has resulted in an increase in deferred tax assets and deferred tax liabilities as at 31st December 2002 by approximately $11,818,000 and $10,302,000 respectively. The loss for the year ended 31st December 2002 has been reduced by approximately $750,000.

(j) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

(k) Revenue recognition

Revenue from the sale of goods is recognised 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.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(l) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset, that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset.

All other borrowing costs are charged to the profit and loss account in the year in which they are incurred.

(m) Segment reporting

In accordance with the Group's internal financial reporting the Group has determined to report its primary segment information by geographical locations of assets and secondary segment by products. Details of the Group's segmental information are set out in Note 25 to the accounts.

Unallocated costs represent corporate expenses. Segment assets consist primarily of property, plant and equipment, inventories, receivables and operating cash. Segment liabilities comprise operating liabilities. Capital expenditure comprises additions to property, plant and equipment.

4. TURNOVER AND OTHER REVENUE

Revenue recognised during the year are as follows:

	2003 $'000	2002 $'000
Turnover		
Moisture resistant plywood	**34,617**	34,924
Flooring	**32,068**	16,537
Structural	**30,890**	27,283
Jamb and mouldings	**22,176**	20,508
Weather and boil proof plywood	**15,413**	19,825
Veneer	**1,211**	2,226
Others	**214**	146
Total turnover	**136,589**	121,449
Other revenue		
Interest income	**5**	19
Others	**260**	312
	265	331
Total turnover and other revenue	**136,854**	121,780

Turnover by geographical locations:

	2003 $'000	2002 $'000
Japan	**57,111**	54,860
The People's Republic of China ("the PRC")	**26,679**	15,214
North America	**21,387**	21,706
Europe	**14,708**	17,677
South East Asia	**9,005**	2,329
Others	**7,699**	9,663
Total turnover	**136,589**	121,449

Turnover by geographical areas is determined on the basis of the location where the merchandise is delivered.

5. OPERATING (LOSS) PROFIT

Operating (loss) profit is stated after charging and crediting the following:

	2003	2002
	$'000	$'000
Charging –		
Cost of inventories (excluding write-down of inventories to net realisable value)	**113,125**	96,891
Write-down of inventories to net realisable value	**559**	1,419
Provision for doubtful receivables	**121**	–
Staff costs (exclude directors' emoluments)		
– Wages and salaries	**2,895**	2,827
– Pension costs *(Note 29)*	**749**	326
Directors' emoluments *(Note 10(a))*	**395**	557
Depreciation of property, plant and equipment		
– owned assets	**9,760**	9,590
– assets held under finance leases	**38**	8
Operating lease expenses on land and buildings	**144**	262
Loss on disposals of property, plant and equipment	**107**	135
Exchange losses, net	**113**	–
Auditors' remuneration	**254**	259
Crediting –		
Interest income from bank deposits	**5**	19
Reversal of provision for doubtful receivables	**–**	23
Exchange gain, net	**–**	341
Realised gain on disposal of subsidiaries *(Note 24(d))*	**3,348**	26

6. FINANCE COSTS

	2003	2002
	$'000	*$'000*
Interest on bank loans	**3,611**	4,245
Interest on other loans wholly repayable within 5 years	**325**	450
Interest element of finance leases	**29**	20
	3,965	4,715

7. TAXATION

(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 Wood Industries (S) Sdn. Bhd. ("Manuply"), the Group's wholly-owned Malaysian subsidiary, because it had unutilised tax allowances to offset its estimated assessable profit for the year ended 31st December, 2003. As at 31st December, 2003, Manuply had aggregate unutilised tax allowances of approximately $41,429,000 (2002 – $41,485,000) and tax losses of approximately $466,000 (2002 – $466,000) which were subject to the approval of the Inland Revenue Board of Malaysia.

7. TAXATION *(Continued)*

(iv) The PRC

The Group's joint venture enterprises established in the PRC are subject to PRC enterprise income tax ("EIT") on the taxable income as reported in their PRC statutory accounts adjusted in accordance with relevant PRC income tax laws. Furthermore, in accordance with the PRC "Law of Enterprise Income Tax for Enterprise with Foreign Investment", these PRC joint venture enterprises are entitled to full exemption from EIT for the first two years and a 50% reduction in EIT for the next three years, commencing from the first profitable year after offsetting all tax losses brought forward from the previous five years. The applicable EIT rate is 33% (30% state unified income tax and 3% local income tax).

No taxation has been provided for as these joint venture enterprises had no estimated assessable profit for the current year.

(v) Others

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

The amount of taxation charged (credited) to the consolidated profit and loss account represents:

	2003	Restated 2002
	$'000	*$'000*
Current taxation		
– Hong Kong profits tax	**–**	98
– Reversal of tax provision	**–**	(61)
Deferred taxation relating to the origination and reversal of temporary differences *(Note 19)*	**323**	(750)
	323	(713)

8. LOSS ATTRIBUTABLE TO SHAREHOLDERS

The loss attributable to shareholders is dealt with in the accounts of the Company to the extent of approximately $757,000 (2002- $17,872,000) (Note 21).

9. LOSS PER SHARE

The calculation of basic loss per share is based on the Group's consolidated loss attributable to shareholders of approximately $8,156,000 (2002- $3,870,000) and on 5,580,897,243 shares (2002 – 5,580,897,243 shares) in issue throughout the year.

No diluted loss per share for the years ended 31st December, 2003 and 2002 are presented as the potential dilutive ordinary shares were anti-dilutive.

10. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The aggregate amounts of emoluments payable to directors during the year are as follows:

	2003	2002
	$'000	*$'000*
Fees for non-executive directors	**39**	58
Other emoluments for executive directors		
– Basic salaries and allowances	**350**	384
– Other allowances	**6**	6
– Others#	**–**	109
	395	557

\# *Amounts represent consultancy fee paid to a company of which an executive director of the Company, who retired on 21st June, 2002, is also a director.*

Directors' fees disclosed above include approximately $13,000 (2002 – $32,000) paid to independent non-executive directors.

(Amounts expressed in United States dollar unless otherwise stated)

10. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(a) Directors' emoluments *(Continued)*

The emoluments of the directors fell within the following bands:

	Number of directors	
	2003	2002*
Executive directors		
– Nil to $128,200 (Nil to HK$1,000,000)	**2**	3
– $128,201 to $192,300 (HK$1,000,001 to HK$1,500,000)	**–**	–
– $192,301 to $256,400 (HK$1,500,001 to HK$2,000,000)	**–**	–
– $256,401 to $320,500 (HK$2,000,001 to HK$2,500,000)	**1**	–
– $320,501 to $384,600 (HK$2,500,001 to HK$3,000,000)	**–**	1
Non-executive directors		
– Nil to $128,200 (Nil to HK$1,000,000)	**6**	8
	9	12

* *The band analysis is stated after annualising the emoluments paid for those directors who joined, or resigned from, the Group during the year.*

No directors waived any emoluments during the year. No incentive payment for joining the Group or compensation for loss of office was paid or payable to any director for the year.

10. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include one (2002: two) director(s) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining four (2002: three) individuals during the year are as follows:

	2003	2002
	$'000	*$'000*
Basic salaries and allowances	**376**	305
Bonus	**45**	38
Contributions to pension schemes	**8**	8
	429	351

The emoluments fell within the following bands:

	Number of individuals	
	2003	2002*
– Nil to $128,200 (Nil to HK$1,000,000)	**3**	2
– $128,201 to $192,300 (HK$1,000,001 to HK$1,500,000)	**1**	1
	4	3

* *The band analysis is stated after annualising the emoluments paid for those individuals who joined, or resigned from, the Group during the year.*

11. INVESTMENTS IN SUBSIDIARIES

	2003 $'000	2002 $'000
Unlisted shares, at cost	**29,649**	29,649

The following is a list of the significant subsidiaries as at 31st December, 2003:

Name	Place of incorporation and legal form of the entity	Principal activities and place of operation	Particulars of issued share capital/paid up capital	Interest held	
				Directly	Indirectly
Ankan Holdings Limited	British Virgin Islands ("BVI"), limited liability company	Investment holding, BVI	$45,000	100%	–
Ankan (China) Holdings Limited	BVI, limited liability company	Investment holding, BVI	$100	100%	–
Changchun Winpro Wood Industries Co., Ltd. *(Note a)*	PRC, equity joint venture[Note 1]	Manufacture and sale of plywood, The PRC	Renminbi ("RMB") 52,700,000	–	82.25%
Dalian Global Wood Products Company Limited *(Note b)*	PRC, co-operative joint venture[Note 2]	Manufacture and sale of wood products, The PRC	$29,600,000	–	100%
Daunting Services Ltd.	BVI, limited liability company	Dormant, BVI	$1	–	100%
Farship International Limited	BVI, limited liability company	Investment holding, BVI	$2	–	100%

(Amounts expressed in United States dollar unless otherwise stated)

11. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation and legal form of the entity	Principal activities and place of operation	Particulars of issued share capital/paid up capital	Interest held	
				Directly	Indirectly
Glowing Schemes Sdn. Bhd.	Malaysia, limited liability company	Dormant, Malaysia	Malaysian Ringgit 1,200,000	–	100%
Georich Trading Limited	BVI, limited liability company	Trading of veneer and plywood, Hong Kong	$2,510,000	–	100%
Manuply Wood Industries (S) Sdn. Bhd.	Malaysia, limited liability company	Manufacture and sale of veneer and plywood, Malaysia	Malaysian Ringgit 55,000,000	–	100%
Pacific Plywood Limited	Samoa, limited liability company	Trading of plywood and other wood products, Hong Kong	$1	–	100%
SMI Global Corporation	United States of America, limited liability company	Trading of wood products, United States of America	$1,000	–	100%
SMI Management & Co. Pte. Ltd.	Singapore, limited liability company	Property holding and provision of management service, Singapore	Singapore dollar 20,000,000	–	100%
Sino Realm Investments Limited	BVI, limited liability company	Investment holding, BVI	$1	–	100%

11. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Note 1 An equity joint venture is a joint venture in which the joint venture partners' profit sharing ratios and shares of net assets upon the expiration of the joint venture period are in proportion to their equity interests set out in the joint venture agreement.

Note 2 A co-operative joint venture is a joint venture with the rights and obligations of the joint venture partners governed by the joint venture contract.

(a) Changchun Winpro Wood Industries Co., Ltd. ("Changchun Winpro") is an equity joint venture established in the PRC with an operating period of 30 years up to November 2024.

(b) Dalian Global Wood Products Company Limited ("Dalian Global") is a co-operative joint venture established in the PRC with an operating period of 20 years up to November 2015.

Under the joint venture agreement, the PRC joint venture partner is entitled to receive a pre-determined annual fee but is not entitled to otherwise share in the profit and net assets of the joint venture (Note 26(c)). Such pre-determined annual fee is accounted for as expense in the profit and loss account.

As the Group is able to govern and control the financial and operating policies governing the economic activities of Dalian Global, it is considered as a subsidiary and is accounted for as such.

Notes to the Accounts

31st December, 2003
(Amounts expressed in United States dollar unless otherwise stated)

12. PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment are as follows:

Group

	2003								2002
	Land and buildings $'000	Leasehold improvements $'000	Plant and machinery $'000	Furniture, fittings and equipment $'000	Motor vehicles $'000	Jetty $'000	CIP $'000	Total $'000	Total $'000
Cost									
Beginning of year	50,929	434	161,684	3,002	2,024	1,562	817	220,452	229,568
Disposal of subsidiaries	(9,390)	–	(27,973)	(169)	(230)	–	(652)	(38,414)	(12,480)
Additions	341	–	1,004	90	61	–	138	1,634	4,038
Disposals	–	–	(675)	(2)	(179)	–	(2)	(858)	(1,739)
Transfers	123	–	–	–	–	–	(123)	–	–
Exchange adjustment	271	9	285	(3)	–	1	(1)	562	1,065
End of year	42,274	443	134,325	2,918	1,676	1,563	177	183,376	220,452
Accumulated depreciation									
Beginning of year	6,550	119	50,939	1,813	1,222	293	–	60,936	52,116
Disposal of subsidiaries	(592)	–	(3,829)	(113)	(193)	–	–	(4,727)	(13)
Charge for the year	1,014	43	8,197	307	206	31	–	9,798	9,598
Disposals	–	–	(77)	(1)	(121)	–	–	(199)	(888)
Exchange adjustment	39	2	326	(9)	3	1	–	362	123
End of year	7,011	164	55,556	1,997	1,117	325	–	66,170	60,936
Accumulated impairment loss									
Beginning of year	8,540	–	32,630	–	–	–	–	41,170	52,794
Disposal of subsidiaries	(8,540)	–	(23,790)	–	–	–	–	(32,330)	(11,967)
Charge for the year *(Note 13)*	5,343	–	–	–	–	–	–	5,343	347
Disposal	–	–	(347)	–	–	–	–	(347)	–
Exchange adjustment	48	–	(37)	–	–	–	–	11	(4)
End of year	5,391	–	8,456	–	–	–	–	13,847	41,170
Net book value									
End of year	29,872	279	70,313	921	559	1,238	177	103,359	118,346
Beginning of year	35,839	315	78,115	1,189	802	1,269	817	118,346	124,658

12. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Certain property, plant and equipment of the Group with a net book value of approximately $93,442,000 (2002 – $103,738,000) have been pledged as security for certain of the Group's banking facilities (Note 17 and 28(a)).

Certain plant and equipment of the Group with a net book value of approximately $791,000 (2002 – $309,000) included above were purchased under finance leases.

All land and buildings held by the Group are situated outside Hong Kong and the details of the net book values by location are as follows:

	2003	2002
	$'000	*$'000*
Land and buildings –		
Singapore – Freehold	**8,921**	14,375
Malaysia – Leases of over 50 years	**13,510**	13,688
The PRC – Leases of between 10 to 50 years[Note 1]	**3,063**	3,238
Buildings only –		
The PRC[Note 2]	**4,378**	4,538
	29,872	35,839

Note 1 Land of Changchun Winpro located at Jilin province, PRC is held in the form of land use rights. Land use rights comprise land use fees paid for the right to use the land where the Group's factory buildings in the PRC are located. As at 31st December, 2003, the remaining period of the land use rights is summarized as follows:

	Remaining period of the land use rights	
	2003	2002
	Years	*Years*
Changchun Winpro	**33**	34

Note 2 This represents the buildings of Dalian Global. The respective land use right of the land on which these buildings are located belongs to the Chinese joint venture partner of Dalian Global.

13. IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

According to a report of valuation dated 12th January, 2004 carried out by an independent firm of chartered surveyors, open market value of an office building held by a subsidiary was lower than its net book value as at 31st December, 2003. The impaired office building had been written down to its recoverable value. For the year ended 31st December, 2003, the Group had recorded impairment loss for the office building amounting to approximately $5,343,000 in the profit and loss account.

14. INVENTORIES

	2003	2002
	$'000	*$'000*
Raw materials	**6,780**	7,312
Work-in-progress	**5,622**	5,451
Finished goods	**6,236**	8,141
	18,638	20,904

As at 31st December, 2003, the amount of inventories carried at net realisable value was approximately $2,174,000 (2002 – $6,735,000).

As at 31st December, 2003, inventories amounting to approximately $11,419,000 (2002: $10,290,000) were subject to floating charges as collateral for certain of the Group's banking facilities (Note 28(b)).

15. TRADE RECEIVABLES

	2003	2002
	$'000	*$'000*
0 – 30 days	**7,661**	9,899
31 – 60 days	**2,772**	4,204
61 – 90 days	**570**	787
91 – 180 days	**408**	339
181 – 360 days	**1,027**	78
Over 360 days	**5,070**	3,438
	17,508	18,745
Less: Provision for doubtful receivables	**(3,146)**	(3,186)
	14,362	15,559

The Group offers credit terms ranging from 30 to 180 days to its customers. Management of the Group performs ongoing credit and collectibility evaluations of each customer and makes provisions for potential credit losses.

As at 31st December, 2003, trade receivables amounting to approximately $3,992,000 (2002 – Nil) were subject to floating charges as collateral for certain of the Group's banking facilities (Note 28(c)).

16. TRADE PAYABLES

	2003	2002
	$'000	*$'000*
0 – 30 days	**8,156**	9,132
31 – 60 days	**4,909**	4,046
61 – 90 days	**2,918**	3,057
91 – 180 days	**2,863**	5,837
181 – 360 days	**777**	565
Over 360 days	**700**	499
	20,323	23,136

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17. BANK LOANS

(a) Short-term bank loans – all secured

	2003	2002
	$'000	*$'000*
Banker's acceptance	**5,120**	3,150
Short-term bank loans	**7,060**	7,719
	12,180	10,869

As at 31st December, 2003, short-term bank loans (including banker's acceptance) bore interest at commercial banking rates ranging from 2.19% to 6.56% (2002 – 3.13% to 8.40%) per annum and were secured by pledges of certain of the Group's property, plant and equipment, certain of the Group's inventories, certain of the Group's trade receivables, corporate guarantees given by the Company and a personal guarantee given by a director of the Company (Note 28).

(b) Long term bank loans – all secured

	2003	2002
	$'000	*$'000*
Bank loans repayable within a period		
– not exceeding 1 year	**11,887**	2,776
– more than 1 year but not exceeding 2 years	**17,886**	11,866
– more than 2 years but not exceeding 5 years	**32,084**	49,367
– beyond 5 years	**4,640**	5,183
	66,497	69,192
Less: Amount due within 1 year included in current liabilities	**(11,887)**	(2,776)
	54,610	66,416

17. BANK LOANS *(Continued)*

(b) Long term bank loans – all secured *(Continued)*

	2003	2002
	$'000	*$'000*
Bank loans		
– wholly repayable within 5 years	**59,211**	61,568
– not wholly repayable within 5 years	**7,286**	7,624
	66,497	69,192
Less: Amount due within 1 year included in current liabilities	**(11,887)**	(2,776)
	54,610	66,416

As at 31st December, 2003, long term bank loans bore interest at commercial banking rates ranging from 3.61% to 9.00% (2002 – 3.81% to 8.40%) per annum and were secured by pledges of certain of the Group's property, plant and equipment, certain of the Group's inventories, certain of the Group's trade receivables, corporate guarantees given by the Company and a personal guarantee given by a director of the Company (Note 28).

Based on the negotiations up to the date of approval of these accounts, the Group has obtained in-principle approval from the bank to reschedule the repayments of certain bank loans to the effect that the bank loans would become repayable by instalments from 2004 to 2015. As a result, the principal amount of these loans repayable in the next twelve months from 31st December, 2003 would have been reduced from approximately $11,418,000 to $3,174,000. The final legal documentation and other detailed terms of the rescheduling arrangement are yet to be finalised.

18. OBLIGATIONS UNDER FINANCE LEASE

As at 31st December, 2003, the Group's finance lease liabilities, net of finance lease charges, were repayable as follows:

	2003	2002
	$'000	*$'000*
Future minimum payments payable within a period		
– not exceeding 1 year	**497**	383
– more than 1 year, but not exceeding 2 years	**82**	84
– more than 2 years, but not exceeding 5 years	**77**	53
	656	520
Less: Amounts payable within 1 year included under accruals and other payables	**(497)**	(383)
	159	137

19. DEFERRED TAXATION

Deferred taxation are calculated in full on temporary differences under the liability method using the tax rates which are expected to apply at the time of reversal of the temporary differences.

Movements of deferred tax assets (prior to offsetting of balances within the same taxation jurisdiction) are as follows:

	2003	2002
	$'000	*$'000*
Beginning of year, as previously reported	**–**	–
Change in accounting policy – provided for deferred tax assets	**11,818**	10,545
Beginning of year, as restated	**11,818**	10,545
Deferred taxation (charged) credited to profit and loss account *(Note 7)*	**(21)**	1,273
End of year	**11,797**	11,818

As at 31st December, 2003, the estimated deferred tax assets to be recovered after more than 12 months is approximately $8,405,000 (2002 – $10,370,000).

19. DEFERRED TAXATION *(Continued)*

Deferred income tax assets are recognised for tax losses and unutilised tax allowances carried forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable. As at 31st December, 2003, one subsidiary of the Group has tax losses of approximately $466,000 (2002 – $466,000) and unutilised tax allowances of approximately $41,429,000 (2002 – $41,485,000) respectively to be carried forward to offset against future taxable income; these tax losses and tax allowances have no expiry date.

Movements of deferred tax liabilities (prior to offsetting of balances within the same taxation jurisdiction) are as follows:

	2003	2002
	$'000	*$'000*
Beginning of year, as previously reported	**13**	13
Change in accounting policy – provided for deferred tax liabilities	**10,302**	9,779
Beginning of year, as restated	**10,315**	9,792
Deferred taxation charged to profit and loss account *(Note 7)*	**302**	523
End of year	**10,617**	10,315

As at 31st December, 2003, the estimated deferred tax liabilities to be settled after more than 12 months is approximately $8,885,000 (2002 – $8,583,000).

Deferred income tax liabilities represent the taxation effect of taxable temporary differences relating to property, plant and equipment. As at 31st December, 2003, two subsidiaries of the Group have taxable temporary differences of approximately $37,931,000 (2002 – $36,852,000).

Movements of the net deferred tax assets (liabilities) are as follows:

	2003	2002
	$'000	*$'000*
Beginning of year, as previously reported	**(13)**	(13)
Change in accounting policy – provided for deferred taxation	**1,516**	766
Beginning of year, as restated	**1,503**	753
Deferred taxation (charged) credited to profit and loss account *(Note 7)*	**(323)**	750
End of year	**1,180**	1,503

19. DEFERRED TAXATION *(Continued)*

As at 31st December, 2003, major unprovided deferred tax assets of the Group are as follows:

	2003	2002
	$'000	*$'000*
Relating to:		
– Tax losses	**4,693**	6,354
– Temporary difference of property, plant and equipment	**2,458**	2,627
– Others	**619**	645
	7,770	9,626

These unprovided deferred tax assets, which are generated from the Group's PRC subsidiaries, are not recognised as it is not certain that future taxable profit will be available. The tax losses of these PRC subsidiaries can only be carried forward for 5 years.

20. SHARE CAPITAL

The details of share capital are as follows:

	Number of shares		**Amount**	
	2003	2002	**2003**	2002
	'000	*'000*	***$'000***	*$'000*
Authorised –				
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	**5,580,897**	5,580,897	**18,037**	18,037

21. RESERVES

Group

	Share premium $'000	Contributed surplus $'000 (Note 22)	Warrant subscription reserve $'000	Cumulative translation adjustments $'000	Accumulated losses $'000	Total $'000
As at 1st January, 2003, as previously reported	90,652	7,814	–	(3,882)	(71,448)	23,136
Changes in accounting policies – Provide for net deferred tax assets *(Note 3(i))*	–	–	–	–	1,516	1,516
As at 1st January, 2003, as restated	90,652	7,814	–	(3,882)	(69,932)	24,652
Loss attributable to shareholders for the year	–	–	–	–	(8,156)	(8,156)
Translation adjustments	–	–	–	59	–	59
As at 31st December, 2003	90,652	7,814	–	(3,823)	(78,088)	16,555

	Share premium $'000	Contributed surplus $'000 (Note 22)	Warrant subscription reserve $'000	Cumulative translation adjustments $'000	Accumulated losses $'000	Total $'000
As at 1st January, 2002, as previously reported	90,652	7,814	1,400	(3,880)	(68,228)	27,758
Changes in accounting policies – Provide for net deferred tax assets *(Note 3(i))*	–	–	–	–	766	766
As at 1st January, 2002, as restated	90,652	7,814	1,400	(3,880)	(67,462)	28,524
Loss attributable to shareholders for the year	–	–	–	–	(3,870)	(3,870)
Transfer	–	–	(1,400)	–	1,400	–
Translation adjustments	–	–	–	(2)	–	(2)
As at 31st December, 2002	90,652	7,814	–	(3,882)	(69,932)	24,652

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21. RESERVES

Company

	Share premium $'000	Contributed surplus $'000 (Note 22)	Warrant subscription reserve $'000	Accumulated losses $'000	Total $'000
As at 1st January, 2003	90,652	21,122	–	(101,888)	9,886
Loss attributable to shareholders for the year	–	–	–	(757)	(757)
As at 31st December, 2003	90,652	21,122	–	(102,645)	9,129

	Share premium $'000	Contributed surplus $'000 (Note 22)	Warrant subscription reserve $'000	Accumulated losses $'000	Total $'000
As at 1st January, 2002	90,652	21,122	1,400	(85,416)	27,758
Loss attributable to shareholders for the year	–	–	–	(17,872)	(17,872)
Transfer	–	–	(1,400)	1,400	–
As at 31st December, 2002	90,652	21,122	–	(101,888)	9,886

As at 31st December, 2003, the Company did not have any reserve available for distribution to the shareholders.

22. CONTRIBUTED SURPLUS

Contributed surplus of the Group represents the difference between the nominal value of the equity of the subsidiary acquired pursuant to a group reorganisation in 1995 over the nominal value of the Company's consideration in exchange therefor.

Contributed surplus of the Company represents the difference between the net assets of the subsidiaries acquired pursuant to a group reorganisation in 1995 over the nominal value of the Company's consideration in exchange therefor. Under the Companies Act of 1981 of Bermuda (as amended), the contributed surplus of the Company is distributable to shareholders.

(Amounts expressed in United States dollar unless otherwise stated)

23. SHARE OPTIONS

In compliance with the amended Chapter 17 of the Rules Governing the Listing of Securities on the SEHK, the Company has adopted a share option scheme (the "Scheme"), as approved by shareholders at the Annual General Meeting on 21st June, 2002. 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 SEHK'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 SEHK'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.

Details of the share options outstanding as at 31st December, 2003 were as follows:

				Number of shares to be issued under options granted under the share option scheme			
Name	Date of grant	Exercise period	Subscription price per share	Beginning of year	Granted during the year	Exercised during the year	End of year
Directors							
– Mr. Budiono Widodo	31/5/1996	1/12/1996 to 30/11/2006	HK$0.260	88,000,000	–	–	88,000,000
– Mr. Liao Yun Kuang	26/8/1999	14/3/2000 to 13/3/2010	HK$0.129	40,800,000	–	–	40,800,000
– Mr. Peng Chiu Ching	26/8/1999	14/3/2000 to 13/3/2010	HK$0.129	31,000,000	–	–	31,000,000
Continuous Contract Employees	26/8/1999	14/3/2000 to 13/3/2010	HK$0.129	24,500,000	–	–	24,500,000
Others	26/8/1999	14/3/2000 to 13/3/2010	HK$0.129	47,000,000	–	–	47,000,000
				231,300,000	–	–	231,300,000

24. CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of loss before taxation to cash generated from operations:

	2003	2002
	$'000	*$'000*
Loss before taxation	**(7,833)**	(4,583)
Adjustment for:		
Depreciation	**9,798**	9,598
Impairment of property, plant and equipment	**5,343**	347
Interest expense	**3,965**	4,715
Interest income from bank deposits	**(5)**	(19)
Provision for (Reversal of) trade receivables, prepayments and other receivables	**121**	(23)
Write down of inventories to net realisable value	**559**	1,419
Loss on disposals of property, plant and equipment	**107**	135
Realised gain on disposal of subsidiaries	**(3,348)**	(26)
Operating profit before working capital changes	**8,707**	11,563
Increase in inventories	**(1,088)**	(4,201)
Increase in prepayments and other receivables	**(941)**	(1,303)
Decrease (Increase) in trade receivables	**93**	(6,600)
(Decrease) Increase in trade payables	**(948)**	6,161
Increase in accruals and other payables	**939**	2,381
Net cash inflow generated from operations	**6,762**	8,001

24. CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(b) Analysis of changes in financing during the year is as follows:

	Short-term and long term bank loans	Other loan	Finance leases	Total
	$'000	*$'000*	*$'000*	*$'000*
As at 1st January, 2002	78,831	4,200	726	83,757
New bank loans	3,834	–	–	3,834
Repayment of loans	(3,393)	(1,100)	–	(4,493)
New finance leases	–	–	206	206
Repayment of principal portion of finance leases	–	–	(413)	(413)
Exchange difference	789	–	1	790
As at 31st December, 2002	80,061	3,100	520	83,681
New bank loans	2,501	–	–	2,501
Repayment of loans	(2,857)	–	–	(2,857)
Disposal of subsidiaries	(1,146)	(3,100)	–	(4,246)
New finance leases	–	–	318	318
Repayment of principal portion of finance leases	–	–	(182)	(182)
Exchange difference	118	–	1	119
As at 31st December, 2003	78,677	–	657	79,334

(c) **Significant non-cash transactions**

During the year, the Group entered into finance leases of approximately $318,000 (2002 – $206,000) in respect of the acquisition of property, plant and equipment.

24. CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(d) Disposal of subsidiaries

	2003	2002
	$'000	*$'000*
Net (liabilities) assets disposed of		
Cash and bank balances	**205**	–
Trade receivables	**967**	–
Inventories	**2,795**	19
Prepayments and other receivables	**746**	659
Property, plant and equipment	**1,357**	500
Short-term bank loans	**(1,146)**	–
Other loan	**(3,100)**	–
Accruals and other payables	**(3,166)**	(1,076)
Trade payables	**(1,866)**	(3)
Cumulative translation adjustments	**10**	(10)
	(3,198)	89
Gain on disposal of subsidiaries	**3,348**	26
Proceed	**150**	115
Satisfied by:		
Cash	**150**	115

Analysis of the net cash (outflow) inflow in respect of the disposal of subsidiaries:

	2003	2002
	$'000	*$'000*
Cash consideration	**150**	115
Cash and bank balances disposed	**(205)**	–
Net cash (outflow) inflow in respect of the disposal of subsidiaries	**(55)**	115

25. SEGMENTAL INFORMATION

Primary segment by geographical locations of operations:

	2003					
	The PRC $'000	Hong Kong $'000	Singapore $'000	Malaysia $'000	Elimination $'000	Consolidated $'000
Turnover						
– External	58,492	1,955	–	76,142	–	136,589
– Inter-segment	–	–	–	474	(474)	–
Total turnover	58,492	1,955	–	76,616	(474)	136,589
Result						
Segment Result	879	(64)	13	1,404	–	2,232
Impairment of property, plant and equipment	–	–	(5,343)	–	–	(5,343)
Unallocated corporate expenses						(757)
Operating loss						(3,868)
Finance costs						(3,965)
Taxation						(323)
Loss attributable to shareholders						(8,156)
Assets						
Segment assets	44,717	1,395	9,681	196,785	(96,843)	155,735
Unallocated corporate assets						146
						155,881
Liabilities						
Segment liabilities	116,345	458	7,979	90,473	(96,843)	118,412
Unallocated corporate liabilities						1,877
						120,289
Other information						
Impairment losses recognised in the profit and loss account	–	–	5,343	–	–	5,343
Capital expenditures	450	–	12	1,172	–	1,634
Depreciation	1,720	7	541	7,530	–	9,798

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25. SEGMENTAL INFORMATION *(Continued)*

	2002					
	The PRC	Hong Kong	Singapore	Malaysia	Elimination	Consolidated
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Turnover						
– External	50,897	2,925	–	67,627	–	121,449
– Inter-segment	25	–	–	1,138	(1,163)	–
Total turnover	50,922	2,925	–	68,765	(1,163)	121,449
Result						
Segment result	(3,223)	(197)	325	4,188	–	1,093
Impairment of property, plant and equipment	(347)	–	–	–	–	(347)
Unallocated corporate expenses						(614)
Operating profit						132
Finance costs						(4,715)
Taxation						713
Loss attributable to shareholders						(3,870)
Assets						
Segment assets	50,356	1,146	15,540	196,131	(90,317)	172,856
Unallocated corporate assets						208
						173,064
Liabilities						
Segment liabilities	113,471	145	15,066	89,076	(90,317)	127,441
Unallocated corporate liabilities						1,934
						129,375
Other information						
Impairment losses recognized in the profit and loss account	347	–	–	–	–	347
Capital expenditures	2,255	36	1	1,746	–	4,038
Depreciation	1,769	7	519	7,273	–	9,568
Unallocated depreciation						30
						9,598

25. SEGMENTAL INFORMATION *(Continued)*

Secondary segment by products:

	2003				2002			
	Turnover	Operating profit (loss)	Assets	Capital expenditures	Turnover	Operating profit (loss)	Assets	Capital expenditures
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Moisture resistant plywood	**34,617**	**389**	**44,662**	**597**	34,924	1,946	50,936	1,063
Flooring	**32,068**	**767**	**17,240**	**430**	16,537	(433)	14,199	741
Structural	**30,890**	**316**	**27,456**	**199**	27,283	1,178	29,958	612
Jamb & mouldings	**22,176**	**839**	**16,211**	**113**	20,508	829	19,823	183
Weather and boil proof plywood	**15,413**	**249**	**19,769**	**264**	19,825	568	27,509	505
Veneer	**1,211**	**(25)**	**1,146**	**15**	2,226	(39)	2,029	37
Others	**214**	**10**	**279**	**4**	146	(44)	771	14
Unallocated	**–**	**(6,413)**	**29,118**	**12**	–	(3,873)	27,839	883
Total	**136,589**	**(3,868)**	**155,881**	**1,634**	121,449	132	173,064	4,038

26. COMMITMENTS

(a) Capital commitments

The Group had the following capital commitments which were not provided for in the accounts:

	2003	2002
	$'000	$'000
Plant and machinery		
– Authorised but not contracted for	**–**	214

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26. COMMITMENTS *(Continued)*

(b) Lease commitments

As at 31st December, 2003, the Group had future aggregate minimum lease payments in respect of land and buildings under various non-cancellable operating leases arrangements as follows:

	2003	2002
	$'000	*$'000*
Lease expiring		
– No later than 1 year	**205**	233
– Later than 1 year and not later than 5 years	**260**	400
– Later than 5 years	**932**	997
	1,397	1,630

(c) Other commitments

Under the agreement with the joint venture partner of the Group's PRC subsidiary, the Group has committed to pay pre-determined annual fees to the PRC joint venture partner up to May 2015.

	2003	2002
	$'000	*$'000*
Payable during the following periods:		
– No later than 1 year	**492**	657
– Later than 1 year and not later than 5 years	**2,020**	2,628
– Later than 5 years	**3,468**	3,858
	5,980	7,143

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27. CONTINGENT LIABILITIES

Contingent liabilities (not provided for in the accounts) comprised:

	Group		Company	
	2003	2002	**2003**	2002
	$'000	*$'000*	***$'000***	*$'000*
Discounted bills with recourse	**2,730**	445	**–**	–
Corporate guarantee given to banks for banking facilities granted to subsidiaries	**–**	–	**69,227**	69,156
	2,730	445	**69,227**	69,156

28. BANKING FACILITIES

As at 31st December, 2003, the Group had aggregate banking facilities as follows:

	2003			
	Utilised	**Unutilised**	**Total facilities**	*Note*
	$'000	***$'000***	***$'000***	
– Bank loans	**69,927**	**–**	**69,927**	*(a)-(e)*
– Trade facilities	**12,977**	**4,902**	**17,879**	*(a)-(e)*
	82,904	**4,902**	**87,806**	

	2002			
	Utilised	Unutilised	Total facilities	*Note*
	$'000	*$'000*	*$'000*	
– Bank loans	74,076	1,740	75,816	*(a)-(e)*
– Loan from an assets management company	3,100	–	3,100	*(e)*
– Trade facilities	6,798	11,295	18,093	*(a)-(e)*
	83,974	13,035	97,009	

28. BANKING FACILITIES *(Continued)*

The above facilities were secured by:

(a) Pledges of certain of the Group's property, plant and equipment with a net book value of approximately $93,442,000 (2002 – $103,738,000);

(b) Floating charges on certain of the Group's inventories of approximately $11,419,000 (2002 – $10,290,000);

(c) Floating charges on certain of the Group's trade receivables of approximately $3,992,000 (2002 – Nil);

(d) Corporate guarantees given by the Company;

(e) A personal guarantee given by a director of the Company to a bank in respect of certain bank loans being granted to the Group.

29. PENSION SCHEMES

The employees of the Singapore and Malaysia subsidiaries are members of the Central Provident Funds operated by the governments of those countries. The subsidiaries are required to contribute a percentage in the range of 12% to 16% of their covered payroll to the Central Provident Funds (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.

As stipulated by the rules and regulations in the PRC, the Group is required to contribute to a state-sponsored retirement plan for its PRC employees at a rate ranging from 19% to 25% of the basic salary predetermined by the local government. The state-sponsored retirement plan is responsible for the entire pension obligations payable to retired employees and the Group has no further obligations for the actual pension payments or other post-retirement benefits beyond the contributions.

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.

29. PENSION SCHEMES *(Continued)*

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:

	2003	2002
	$'000	*$'000*
Gross employer's contributions	**749**	326

30. RELATED PARTY TRANSACTIONS

Parties are considered to be related if the Group has the ability, directly or indirectly, to control the parties or exercise significant influence over the parties in making financial and operating decisions, or vice versa, or where the Group and the parties are subject to common control or common significant influence.

During the year ended 31st December, 2003, a director of the Company has provided a personal guarantee to a bank in respect of certain bank loans being granted to the Group amounting to approximately $69,090,000 (2002 – $69,156,000).

31. COMPARATIVE FIGURES

Certain comparative figures were reclassified to conform to the current year presentation.

32. APPROVAL OF ACCOUNTS

The accounts were approved and authorised for issue by the board of directors on 15th April, 2004.