INTERIM REPORT 2004

fulbond

福 邦 控 股

Fulbond Holdings Limited

福 邦 控 股 有 限 公 司

DIRECTORS' REPORT

On behalf of the Board of Directors (the "Board"), I am pleased to present the unaudited consolidated result of Fulbond Holdings Limited (the "Company") and its subsidiaries (the "Group") for the six months ended 30 June 2004. The unaudited results have been reviewed by Deloitte Touche Tohmatsu.

FINANCIAL RESULTS

During the period, the Group recorded a turnover of US$12,352,000, as compared with US$13,759,000 in the previous corresponding period. Gross profit amounted to US$1,109,000, as compared with last year's US$1,163,000. Profit from operations turned around to reach US$411,000. Net loss for the period was narrowed from last corresponding period's US$3,515,000 to US$770,000 for the period, a result of the disposal of certain loss-making subsidiaries in the timber-related business.

DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2004. (2003: Nil).

BUSINESS REVIEW

The Timber Business

Leveraging the implementation of cost control measures and the disposal of certain loss making timber subsidiaries, the Group's timber business improved in the first half of the year. All of the Group's timber related products, including blockboard and particle board, door skin and other wooden products generated operating profit.

The Group's 67%-owned subsidiary, Jilin Fudun Timber Company Limited ("Fudun"), is a specialist in the production of molded door skin in the PRC. During the period, the ever-increasing market competition slightly affected Fudun's profit margin. However, riding on the Group's well-established manufacturing capabilities and expanded distribution network, the management is confident that Fudun's profitability will pick up in the near future.

High Technology Related Business

To seize the business opportunities in the global high technology market, the Group has spent the last few years on establishing a comprehensive infrastructure for its high technology related business.

Among the products in the high technological arena, the Group sees the highest growth potential in the System on Chip ("SoC") solutions and services. To grasp related business opportunities, the Group set up a technology arm – Fulhua Microelectronics Corporation ("FameG") – a fabless SoC Original Design Manufacturer ("ODM"). FameG provides SoC and SoC-based solutions to semiconductor markets in the Greater China region.

In addition to offering IC design and platform-based SoC services to customers, FameG also provides re-targeting services. It works with major brand name chip companies, helping them to re-design their old products to incorporate new wafer processing technologies and new foundries so as to reduce cost and enhance product features, minimizing geographical risks and the need to ramp up production.

To extend market reach, FameG set up offices in California in January 2003 and Shanghai in September 2003. To strengthen the design capabilities and gain market recognition among the potential PRC customers, FameG formed an alliance with Mitsubishi Corporation and Mitsubishi Corporation (Taiwan) Limited in July 2003. These moves help to pave the way for the company to capture future market growth in the Greater China region.

FUTURE PLANS AND PROSPECTS

Looking ahead, Fulbond will continue to improve its overall efficiency and extend its timber business clientele.

As for the high technology related business, Fulbond will leverage its comprehensive business model to capture the growth of the SoC market. This business is expected to become the major contributor to the Group's future results.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and Capital Resources

As at 30 June 2004, the net cash balances of the Group stood at approximately US$1,262,000.

Total bank and other borrowings as at 30 June 2004 were approximately US$10,885,000. 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 36.63% (gearing ratio as a percentage of total borrowings over non-current assets). As at the period end, the Group's total assets were approximately US$50,500,000.

Employment and Remuneration Policy

The Company had approximately 1,100 full-time employees as at 30 June 2004 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.

Warrants

During the period, warrants carrying subscription rights of approximately US$70,000 were exercised and resulted in the issue of an additional 27,347,801 shares of US$0.001 each of the Company. All outstanding warrants were expired on 31 March 2004.

DIRECTORS' INTERESTS

As at 30 June 2004, 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	55.60

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 2004.

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 Scheme

(a) Share options to subscribe Company's shares

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 months ended 30 June 2004, 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:

	Date of grant	Exercise period	Exercise Price	Number of share options At 1 Jan 2004	Granted during the period	Lapsed during the period	At 30 June 2004
Directors							
Yang Ding-Yuan	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				200,000,000	–	–	200,000,000
Ex-director							
Hu Ding-Hua	30 April 2002	30 April 2002-29 April 2012	HK$0.05	50,000,000	–	50,000,000	0
Total ex-directors				50,000,000	–	50,000,000	0
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				174,000,000	–	–	174,000,000
Total all categories				424,000,000	–	50,000,000	374,000,000

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 2004, 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	143%	143%	143%
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.

For the purpose of the calculation of fair value, no adjustment has been made in respect of options expected to be forfeited, due to lack of historical data.

(b) *Share options to subscribe for shares in Wood Art International Corporation ("Wood Art")*

Pursuant to the Company's shareholders' approval in the special general meeting held on 18 June 2004, the share options scheme of Wood Art, a subsidiary of the Company, became effective. Details of the share options scheme of Wood Art are set out in the Company's circular to the shareholders dated 28 May 2004.

Movements in the number of options to subscribe for shares in Wood Art for the period ended 30 June 2004 were set out below:

				Number of share options		
	Date of grant	**Exercise period**	**Exercise price**	**Granted during the period**	**Lapsed during the period**	**At 30 June 2004**
Executive and employee	18 June 2004	18 June 2004 – 17 June 2007	US$1.00	638	–	638
Total number of share options granted				638		638

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 2004 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 2004, 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	49.82
STJ	*1*	529,918,532	4,564,370,084	5,094,288,616	55.60
Yang Ding-Yuan	*2*	–	5,094,288,616	5,094,288,616	55.60

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 2004, 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 2004 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY

During the period, the Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code set out in Appendix 10 to the Listing Rules. After having made specific enquiry of all Directors of the Company, the Directors have complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions.

By Order of the Board
Dr. Yang Ding-Yuan
Chairman

Hong Kong, 17 September 2004

INDEPENDENT REVIEW REPORT

Deloitte.
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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 8 to 14.

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 Institute of Certified Public 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 Institute of Certified Public 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 2004.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, 17 September 2004

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2004

	NOTES	1.1.2004 to 30.6.2004 (Unaudited) US$'000	1.1.2003 to 30.6.2003 (Unaudited) US$'000
Turnover	3	12,352	13,759
Cost of sales		(11,243)	(12,596)
Gross profit		1,109	1,163
Other operating income		1,057	1,249
Distribution costs		(775)	(1,562)
Administrative expenses		(980)	(3,222)
Profit (loss) from operations	4	411	(2,372)
Finance costs		(413)	(639)
Share of results of associates		(555)	(1,264)
Gain on disposal of subsidiaries		–	29
Loss before taxation		(557)	(4,246)
Taxation	5	(194)	192
Loss before minority interests		(751)	(4,054)
Minority interests		(19)	539
Net loss for the period		(770)	(3,515)
Loss per share	6		
– Basic		US(0.008) cent	US(0.038) cent
– Diluted		N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET
At 30 June 2004

	NOTES	30.6.2004 (Unaudited) US$'000	31.12.2003 (Audited) US$'000
Non-current assets			
Property, plant and equipment	7	22,514	23,916
Interests in associates		3,961	4,958
Investments in securities		2,415	1,974
Club debenture		37	37
Deferred taxation		791	983
		29,718	31,868
Current assets			
Inventories		7,749	7,671
Trade and other receivables	8	11,626	8,960
Amounts due from associates		132	–
Taxation recoverable		13	23
Bank balances and cash		1,262	2,493
		20,782	19,147
Current liabilities			
Trade and other payables	9	5,230	4,731
Amount due to ultimate holding company		357	357
Amount due to an associate		–	51
Convertible note		1,204	1,204
Bank and other borrowings – amount due within one year	10	9,696	10,324
		16,487	16,667
Net current assets		4,295	2,480
		34,013	34,348
Capital and reserves			
Share capital		9,161	9,134
Reserves		13,139	13,883
		22,300	23,107
Minority interests		10,524	10,604
Non-current liabilities			
Bank and other borrowings – amount due after one year	10	1,189	727
		34,013	34,348

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June 2004

	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 2004	9,134	47,423	716	1,564	1,870	628	4	(38,322)	23,017
Issue of shares upon exercise of warrants	27	43	–	–	–	–	–	–	70
Transfer of warrant reserve upon exercise and expiry of warrants	–	1,564	–	(1,564)	–	–	–	–	–
Exchange difference arising from translation of operations of subsidiaries and associates and net loss not recognised in the income statement	–	–	–	–	–	(17)	–	–	(17)
Transfer of reserve	–	–	–	–	65	–	–	(65)	–
Net loss for the period	–	–	–	–	–	–	–	(770)	(770)
Balance at 30 June 2004	9,161	49,030	716	–	1,935	611	4	(39,157)	22,300
Balance at 1 January 2003	9,134	47,423	716	1,564	2,048	(88)	4	(33,847)	26,954
Realised on 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 2004

	1.1.2004 to 30.6.2004 (Unaudited) *US$'000*	1.1.2003 to 30.6.2003 (Unaudited) *US$'000*
Net cash used in operating activities	(863)	(615)
Net cash used in investing activities	(173)	(520)
Net cash (used in) generated from financing activities	(195)	425
Net decrease in cash and cash equivalents	(1,231)	(710)
Cash and cash equivalents at beginning of the period	2,493	4,998
Cash and cash equivalents at end of the period, representing bank balances and cash	1,262	4,288

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
For the six months ended 30 June 2004

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 Institute of Certified Public 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 2003.

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 2004

	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	9,307	713	–	2,332	–	–	12,352
SEGMENT RESULT	524	35	–	1	–	–	560
Unallocated corporate expenses							(149)
Finance costs							(413)
Share of results of associates	–	–	6	(63)	(236)	(262)	(555)
Loss before taxation							(557)
Taxation							(194)
Loss before minority interests							(751)

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	Con-solidated 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)

(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**	
	1.1.2004 to 30.6.2004	**1.1.2003 to 30.6.2003**	**1.1.2004 to 30.6.2004**	**1.1.2003 to 30.6.2003**
	US$'000	*US$'000*	*US$'000*	*US$'000*
The PRC	11,535	11,914	507	(208)
Others	817	1,845	53	(1,361)
	12,352	13,759	560	(1,569)
Unallocated corporate expenses			(149)	(803)
Profit (loss) from operations			411	(2,372)

4. Profit (loss) from operations

	1.1.2004 to 30.6.2004	**1.1.2003 to 30.6.2003**
	US$'000	*US$'000*
Profit (loss) from operations has been arrived at after charging:		
Allowance for bad and doubtful debts	–	82
Amortisation of goodwill (included in administrative expenses)	–	332
Depreciation and amortisation of property, plant and equipment	1,572	2,217
and after crediting:		
Interest income	3	7
Value added tax refund *(Note)*	1,033	785
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 2004, VAT refund totalling US$1,033,000 (six months ended 30 June 2003: US$785,000) were obtained by these subsidiaries.

5. Taxation

	1.1.2004 to 30.6.2004 *US$'000*	1.1.2003 to 30.6.2003 *US$'000*
The charge (credit) comprises:		
The Company and subsidiaries:		
Hong Kong Profits Tax	–	–
PRC Enterprise Income Tax	1	31
Deferred tax charge (credit)	192	(230)
	193	(199)
Share of taxation of associates:		
PRC Enterprise Income Tax	1	1
Deferred tax charge	–	6
	194	(192)

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:

	1.1.2004 to 30.6.2004 *US$'000*	1.1.2003 to 30.6.2003 *US$'000*
Net loss for the period and loss for the purposes of basic loss per share	(770)	(3,515)
	Number of shares	**Number of shares**
Weighted average number of shares for the purposes of basic loss per share	9,148,640,079	9,134,431,954

No diluted loss per share is presented for the period from 1 January 2003 to 30 June 2003 and 1 January 2004 to 30 June 2004 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 2004, the Group spent approximately US$177,000 (six months ended 30 June 2003: US$446,000) 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:

	30.6.2004	**31.12.2003**
	US$'000	*US$'000*
0 – 90 days	5,418	3,262
91 – 180 days	632	597
More than 180 days	248	431
	6,298	4,290
Other receivables	5,328	4,670
	11,626	8,960

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:

	30.6.2004	**31.12.2003**
	US$'000	*US$'000*
0 – 90 days	2,180	723
91 – 180 days	–	94
More than 180 days	682	841
	2,862	1,658
Other payables	2,368	3,073
	5,230	4,731

10. Bank and other borrowings

During the six months ended 30 June 2004, the Group repaid bank loans totalling US$166,000. 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 2004, the Group has pledged certain properties with a carrying value of US$287,000 (31 December 2003: US$295,000) and other property, plant and equipment of US$10,262,000 (31 December 2003: US$11,135,000) to various banks for securing bank loans and general banking facilities granted to the Group.

13. Contingent liabilities

One of the Group's associates, 天津福津木業有限公司 Tianjin Fortune Timber Co., Ltd. ("TFT"), is currently being sued by its bankers for repayment of bank loans of approximately RMB73.6 million. This amount has been guaranteed by another associate, 天津福家家具有限公司 Tianjin Fortune Furniture Co. Ltd. ("TFFCL"). Both TFT and TFFCL are currently in negotiations with the bankers of TFT for 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 approval of this financial report, the ultimate outcome cannot be determined by the directors. However, at 30 June 2004 and 31 December 2003, there is no impact on the Group's share of interest in TFFCL as the Group does not share any net assets of TFFCL as at those dates.