

1. General

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's ultimate holding company is S.T.J. Technology Limited ("STJ"), a company incorporated in British Virgin Islands.

The Company acts as an investment holding company. The principal activities of its subsidiaries and associates are the manufacture and sale of wooden products and provision of Integrated Circuit ("IC") design services.

2. Potential Impact arising from the Recently Issued Accounting Standards

In 2004, the Hong Kong Institute of Certified Public Accountants, (the "HKICPA") issued a number of new or revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards ("HKFRSs") (herein collectively referred to as "new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 December 2004.

The Group has commenced considering the potential impact of these new HKFRSs but is not yet in a position to determine whether these HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented. These HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

3. Significant Accounting Policies

The financial statements have been prepared under the historical cost convention as modified for the revaluation of certain investments in securities and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

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

Revenue recognition

Sales of goods are recognised when goods are delivered and title has passed.

Service income is recognised as services are rendered.

Value added tax refund is recognised when the refund is approved by the relevant government authority.

Interest income from bank deposits is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable.

3. Significant Accounting Policies (continued)**Interests in associates**

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates.

Investments in securities

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

Investments other than held-to-maturity debt securities are classified as investment securities and other investments.

Investment securities, which are securities held for an identified long term strategic purpose, are measured at subsequent reporting dates at cost less any identified impairment loss.

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the year.

Property, plant and equipment

Property, plant and equipment other than construction in progress are stated at cost less accumulated depreciation and amortisation and any identified impairment loss.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Depreciation and amortisation is calculated to write off the cost of property, plant and equipment other than construction in progress on a straight line basis over their estimated useful lives. The principal annual rates of depreciation and amortisation adopted by the Group are as follows:

	Rate per annum (%)
Land and buildings held under short term leases outside Hong Kong	5 to 10
Land and building held under medium term leases outside Hong Kong	2
Land and buildings held under medium term leases in Hong Kong	4
Plant and equipment and furniture and fittings	10 to 33
Motor vehicles	20

The cost of construction in progress will not be amortised until they are put into use and are transferred to a specific category of property, plant and equipment when the construction is completed.

3. Significant Accounting Policies *(continued)*

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight-line basis over its useful life.

Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or associate at the date of acquisition. Goodwill is recognised as an asset and amortised on a straight line basis over its useful economic life of not more than twenty years.

Goodwill arising on the acquisition of an associate is included within the carrying amount of the associate. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

On disposal of a subsidiary or associate, the attributable amount of unamortised goodwill is included in the determination of the profit or loss on disposal.

Club debenture

Club debenture held on a long term basis is stated at cost less any identified impairment loss.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as expenses immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

3. Significant Accounting Policies *(continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method.

Borrowing costs

Borrowing costs are recognised in net profit or loss in the period in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income and expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable and deductible.

Deferred tax is the tax expected to be payable or recoverable on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled. Deferred tax is charged or credited to the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

Foreign currencies

Transactions in currencies other than the United States dollar are initially recorded at the rates of exchange prevailing on the dates of transactions.

Monetary assets and liabilities denominated in currencies other than the United States dollar are re-translated at the rates prevailing on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

3. **Significant Accounting Policies** *(continued)*

Foreign currencies *(continued)*

On consolidation, the assets and liabilities of the Group's operations are translated into United States dollar at the rate prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's exchange translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Operating leases

Rentals payable in respect of operating leases are charged to the income statement on a straight line basis over the period of the relevant lease terms.

Retirement benefits

Payments to Mandatory Provident Fund ("MPF") scheme are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefits scheme.

4. **Turnover and Segment Information**

Turnover represents the net amounts received and receivable for goods sold and services provided.

(a) **Business segments**

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

Principal activities:

Blockboard and particle board	–	manufacture and trading of products of blockboard and particle board
Door skin	–	manufacture and trading of door skin
Other wooden products	–	manufacture and trading of wooden products other than those identified as above
Others	–	high-technology related business

4. Turnover and Segment Information (continued)**(a) Business segments** (continued)

(i) Segment information about these businesses is presented below:

INCOME STATEMENT**For the year ended 31 December 2004**

	Blockboard and particle board US\$'000	Door skin US\$'000	Other wooden products US\$'000	Others US\$'000	Consolidated US\$'000
TURNOVER					
External sales	19,801	1,657	3,074	–	24,532
RESULT					
Segment result	(256)	(41)	(1,204)	–	(1,501)
Unallocated corporate expenses					(2,608)
Loss from operations					(4,109)
Finance costs					(794)
Share of results of associates	–	–	224	(1,400)	(1,176)
Gain on deemed disposal of associates	–	–	–	1,627	1,627
Loss before taxation					(4,452)
Taxation					921
Loss before minority interests					(3,531)
Minority interests					536
Net loss for the year					(2,995)

4. Turnover and Segment Information (continued)**(a) Business segments** (continued)

(i) Segment information about these businesses is presented below: (continued)

BALANCE SHEET**As at 31 December 2004**

	Blockboard and particle board US\$'000	Door skin US\$'000	Other wooden products US\$'000	Others US\$'000	Consolidated US\$'000
ASSETS					
Segment assets	31,202	3,351	2,213	–	36,766
Interests in associates	–	–	1,404	3,455	4,859
Unallocated corporate assets					4,193
Consolidated total assets					<u>45,818</u>
LIABILITIES					
Segment liabilities	1,755	146	1,111	–	3,012
Unallocated corporate liabilities					12,746
Consolidated total liabilities					<u>15,758</u>

OTHER INFORMATION**For the year ended 31 December 2004**

	Blockboard and particle board US\$'000	Door skin US\$'000	Other wooden products US\$'000	Others US\$'000	Consolidated US\$'000
Additions of property, plant and equipment	515	58	19	2	594
Allowance for bad and doubtful debts	(960)	(99)	(30)	–	(1,089)
Depreciation and amortisation of property, plant and equipment	(2,705)	(348)	(366)	(98)	(3,517)
Impairment loss recognised in respect of property, plant and equipment	–	–	(449)	–	(449)
Impairment loss on investment in securities	–	–	–	(1,974)	(1,974)
Loss on disposal of property, plant and equipment	(2)	–	(351)	(74)	(427)

4. Turnover and Segment Information (continued)**(a) Business segments** (continued)

(ii) Segment information about these businesses is presented below:

INCOME STATEMENT

For the year ended 31 December 2003

	Blockboard and particle board US\$'000	Door skin US\$'000	Other wooden products US\$'000	Others US\$'000	Consolidated US\$'000
TURNOVER					
External sales	19,340	1,654	4,871	2,249	28,114
RESULT					
Segment result	(2,822)	(121)	(1,899)	(2,769)	(7,611)
Unallocated corporate expenses					(1,128)
Loss from operations					(8,739)
Finance costs					(1,161)
Share of results of associates	-	-	(613)	(773)	(1,386)
Allowance for amounts due from an associate					(3,656)
Gain on disposal of subsidiaries	2,726	-	-	6,486	9,212
Gain on partial disposal of subsidiaries	-	-	-	362	362
Loss before taxation					(5,368)
Taxation					20
Loss before minority interests					(5,348)
Minority interests					695
Net loss for the year					(4,653)

4. Turnover and Segment Information (continued)**(a) Business segments** (continued)

(ii) Segment information about these businesses is presented below: (continued)

BALANCE SHEET

As at 31 December 2003

	Blockboard and particle board US\$'000	Door skin US\$'000	Other wooden products US\$'000	Others US\$'000	Consolidated US\$'000
ASSETS					
Segment assets	32,811	3,860	3,362	-	40,033
Interests in associates	-	-	1,127	3,831	4,958
Unallocated corporate assets					6,024
Consolidated total assets					51,015
LIABILITIES					
Segment liabilities	2,159	60	912	-	3,131
Unallocated corporate liabilities					14,263
Consolidated total liabilities					17,394

OTHER INFORMATION

For the year ended 31 December 2003

	Blockboard and particle board US\$'000	Door skin US\$'000	Other wooden products US\$'000	Others US\$'000	Consolidated US\$'000
Additions of property, plant and equipment	411	38	26	619	1,094
Allowance for bad and doubtful debts	(1,214)	(70)	(538)	-	(1,822)
Amortisation of goodwill	-	-	-	(627)	(627)
Depreciation and amortisation of property, plant and equipment	(3,167)	(353)	(358)	(417)	(4,295)
Impairment loss recognised in respect of property, plant and equipment	(275)	-	(435)	-	(710)
Impairment loss recognised in respect of goodwill	-	-	-	(2,138)	(2,138)
Loss on disposal of property, plant and equipment	(1,439)	(175)	(65)	-	(1,679)

4. Turnover and Segment Information (continued)**(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.

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods:

	Sales revenue by geographical market		Loss from operations	
	Year ended 31.12.2004 US\$'000	Year ended 31.12.2003 US\$'000	Year ended 31.12.2004 US\$'000	Year ended 31.12.2003 US\$'000
The PRC	23,690	24,649	(1,513)	(2,918)
Taiwan	–	1,982	–	(2,785)
Others	842	1,483	12	(1,908)
	24,532	28,114	(1,501)	(7,611)
Unallocated corporate expenses			(2,608)	(1,128)
Loss from operations			(4,109)	(8,739)

The following is an analysis of the carrying amount of consolidated segment assets, and additions to property, plant and equipment, analysed by the geographical area in which the assets are located:

	Carrying amount of consolidated segment assets		Capital additions	
	Year ended 31.12.2004 US\$'000	Year ended 31.12.2003 US\$'000	Year ended 31.12.2004 US\$'000	Year ended 31.12.2003 US\$'000
The PRC (including Hong Kong)	42,294	47,597	592	475
Taiwan	3,437	3,378	–	615
Others	18	17	2	4
	45,749	50,992	594	1,094

5. Other Operating Income

Other operating income comprises:

	2004 US\$'000	2003 US\$'000
Interest income	26	16
Value added tax refund (<i>Note</i>)	2,729	2,048
Net realised gain on disposal of investments in securities	–	11
Rental income (net of negligible outgoings)	–	153
Others	194	560
	2,949	2,788

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, such subsidiaries entitled to VAT refund totalling US\$2,729,000 (2003: US\$2,048,000) for the year ended 31 December 2004.

6. Loss from Operations

Loss from operations has been arrived at after charging:

	2004 US\$'000	2003 US\$'000
Directors' remuneration (<i>Note a</i>)		
– Fees	12	33
– Other emoluments	45	64
	57	97
Other staff costs	1,163	2,772
Retirement benefits scheme contributions for other staff (<i>Note b</i>)	199	376
Total staff costs	1,419	3,245
Allowance for bad and doubtful debts	1,089	1,822
Amortisation of goodwill (included in administrative expenses)	–	627
Auditors' remuneration	165	172
Depreciation and amortisation of property, plant and equipment	3,517	4,295
Loss on disposal of property, plant and equipment	427	1,679
Minimum lease payments under operating leases in respect of rented premises	38	423
Research expenses	–	1,450
Cost of inventories recognised as expenses	17,497	18,328

6. Loss from Operations (continued)

Notes:

(a) Emoluments of directors and highest paid employees

(i) Details of emoluments paid by the Group to the directors of the Company are as follows:

	2004 US\$'000	2003 US\$'000
Fees:		
Executive	6	20
Non-executive	6	13
	12	33
Other emoluments to executive directors:		
Salaries and other benefits	43	62
Retirement benefits scheme contributions	2	2
	45	64
	57	97

(ii) Emoluments of the directors of the Company were within the following band:

	2004 Number of directors	2003 Number of directors
Nil – HK\$1,000,000 (equivalent to US\$128,205)	5	5

(iii) Of the five individuals with the highest emoluments in the Group, one (2003: one) was a director of the Company whose emoluments are included in the disclosures in note 6(a)(i) and (ii) above. The emoluments of the remaining four (2003: four) individuals are as follows:

	2004 US\$'000	2003 US\$'000
Salaries and other benefits	352	307
Retirement benefit scheme contributions	5	4
	357	311

Their emoluments were within the following bands:

Bands	2004 Number of individuals	2003 Number of individuals
Nil – HK\$1,000,000 (equivalent to US\$128,205)	4	4

6. Loss from Operations *(continued)***(b) Retirement benefits schemes** *(continued)*

The Group operates MPF scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the scheme, which contribution is matched by employees.

In addition, pursuant to government regulations, for the Group's employees in the PRC, relevant subsidiaries are required to contribute amounts ranging from approximately 14% to 30% of the aggregate staff wages to certain retirement benefit schemes. The only obligation of the Group with respect to the retirement benefits schemes is to make the specified contribution.

The total cost charged to the income statement of US\$201,000 (2003: US\$378,000) represents contributions to the schemes by the Group at rates specified in the rules of respective schemes. The amount paid during the year relates to contributions made in connection with the directors of the Company are disclosed in (a)(i) above.

7. Finance Costs

	2004 US\$'000	2003 US\$'000
Interest on:		
– bank and other borrowings wholly repayable within five years	695	1,021
– three-year loan notes	99	140
	794	1,161

8. Gain on Partial Disposal of Subsidiaries

The amount in 2003 represented the gain on partial disposal of subsidiaries upon issuance of preference shares to minority interests by one of the subsidiaries.

9. Taxation

The credit (charge) comprises:

	2004 US\$'000	2003 US\$'000
The Company and subsidiaries:		
Hong Kong Profits Tax (<i>note a</i>)	–	–
PRC Enterprise Income Tax (<i>note b</i>)		
– current year	(21)	(97)
– underprovision in prior year	63	(11)
Deferred tax credit (<i>note 17</i>)		
– current year	118	367
– underprovision in prior year	870	–
	1,030	259
Share of taxation of associate	(109)	(239)
	921	20

Notes:

- (a) No provision for Hong Kong Profits Tax has been made as the Company and its subsidiaries incorporated in Hong Kong have no assessable profits for the year.
- (b) 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.

9. Taxation (continued)

The tax credit for the year can be reconciled to the loss per the income statement as follows:

	2004		2003	
	US\$'000	%	US\$'000	%
Loss before taxation	(4,452)		(5,368)	
Tax at the domestic income tax rate of 33% (2003: 33%)	(1,469)	(33.0)	(1,772)	(33.0)
Tax effect of expenses not deductible for tax purpose	1,494	33.6	2,203	41.0
Tax effect of income not taxable for tax purpose	(1,039)	(23.3)	(1,980)	(36.8)
Effect of difference tax rates of group companies and associates operating in other jurisdictions	351	7.9	213	3.9
Effect of preferential tax rates of subsidiaries and associates operating in other jurisdictions in the PRC	(69)	(1.5)	409	7.6
Tax effect of tax losses not recognised	786	17.6	896	16.7
Utilisation of tax losses previously not recognised	(42)	(0.9)	–	–
Underprovision in prior year	(63)	(1.4)	11	0.2
Underprovision of deferred tax in prior year	(870)	(19.6)	–	–
Tax effect and effective tax rate for the year	(921)	(20.6)	(20)	(0.4)

10. Loss per Share

The calculation of the loss per share is based on the net loss for the year of US\$2,995,000 (2003: US\$4,653,000) and the weighted average of 9,155,320,539 (2003: 9,134,431,954) shares in issue during the year.

No diluted loss per share is presented for both years as the exercise of the outstanding share options, warrants and convertible note would result in a decrease in the loss per share.

11. Property, Plant and Equipment

	Leasehold land and buildings US\$'000	Plant and equipment US\$'000	Furniture and fittings US\$'000	Motor vehicles US\$'000	Construction in progress US\$'000	Total US\$'000												
THE GROUP																		
COST																		
At 1 January 2004	13,050	33,989	24	1,079	911	49,053												
Additions	41	132	2	96	323	594												
Reclassifications	31	767	–	–	(798)	–												
Disposal	(1,699)	–	–	(94)	(3)	(1,796)												
At 31 December 2004	11,423	34,888	26	1,081	433	47,851												
DEPRECIATION AND AMORTISATION AND IMPAIRMENT LOSSES																		
At 1 January 2004	3,272	20,923	10	932	–	25,137												
Provided for the year	739	2,698	5	75	–	3,517												
Impairment loss recognised	–	449	–	–	–	449												
Eliminated on disposal	(581)	–	–	(56)	–	(637)												
At 31 December 2004	3,430	24,070	15	951	–	28,466												
NET BOOK VALUES																		
At 31 December 2004	7,993	10,818	11	130	433	19,385												
At 31 December 2003	9,778	13,066	14	147	911	23,916												
<p>The net book value of the Group's leasehold land and buildings are held under:</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th style="text-align: center;">2004 US\$'000</th> <th style="text-align: center;">2003 US\$'000</th> </tr> </thead> <tbody> <tr> <td>Medium term lease in Hong Kong</td> <td style="text-align: center;">765</td> <td style="text-align: center;">1,626</td> </tr> <tr> <td>Short term leases in the PRC</td> <td style="text-align: center;">7,228</td> <td style="text-align: center;">8,152</td> </tr> <tr> <td></td> <td style="text-align: center;">7,993</td> <td style="text-align: center;">9,778</td> </tr> </tbody> </table>								2004 US\$'000	2003 US\$'000	Medium term lease in Hong Kong	765	1,626	Short term leases in the PRC	7,228	8,152		7,993	9,778
	2004 US\$'000	2003 US\$'000																
Medium term lease in Hong Kong	765	1,626																
Short term leases in the PRC	7,228	8,152																
	7,993	9,778																

11. Property, Plant and Equipment (continued)

	Furniture and fittings US\$'000
THE COMPANY	
COST	
At 1 January 2004	2
Additions	3
At 31 December 2004	5
DEPRECIATION	
At 1 January 2004	1
Provided for the year	1
At 31 December 2004	2
NET BOOK VALUE	
At 31 December 2004	3
At 31 December 2003	1

Impairment loss was recognised based on the recoverable amounts of property, plant and equipment which were determined by the estimated discounted net future cash flows from these property, plant and equipment. The carrying amounts of the property, plant and equipment were reduced to the respective recoverable amounts which were estimated using market borrowing rates.

12. Interests in Subsidiaries

	THE COMPANY	
	2004 US\$'000	2003 US\$'000
Unlisted shares, at cost	3,304	3,304
<i>Less: Impairment loss recognised</i>	(3,304)	(3,304)
	—	—
Amounts due from subsidiaries	95,356	97,401
<i>Less: Allowance for amounts due from subsidiaries</i>	(80,301)	(76,451)
	15,055	20,950

12. Interests in Subsidiaries (continued)

The amounts due from subsidiaries are unsecured, non-interest bearing and have no fixed terms of repayment. In the opinion of the directors, the amounts are not likely to be settled within the coming twelve months and accordingly, the amounts are classified as non-current.

Impairment loss was recognised based on the recoverable amounts of subsidiaries which were determined by the estimated discounted net future cash flows from these subsidiaries. The carrying amounts of the subsidiaries were reduced to the respective recoverable amounts which were estimated using market borrowing rates.

Particulars of the Company's subsidiaries at 31 December 2004 are as follows:

Name of subsidiary	Place of incorporation/ registration	Place of operation	Percentage of issued share capital/ registered capital held %	Issued and fully paid capital/ registered capital	Principal activities
Directly held by the Company					
Ta Fu Strategic Investment Limited	British Virgin Islands	Hong Kong	100	US\$10,000	Investment holding
Wood Art International Corporation ("Wood Art")	British Virgin Islands	Hong Kong	100	US\$10,000	Investment holding
TGT Holdings Corporation	British Virgin Islands	Hong Kong	100	US\$2	Investment holding
Fulbond Business Services Limited	Hong Kong	Hong Kong	100	HK\$2	Provision of management services
Fulbond Digital Systems Limited	Hong Kong	Hong Kong	100	HK\$2	Trading of electronic products
Indirectly held by the Company					
Ta Fu Timber Company Limited	Hong Kong	Hong Kong	100	Ordinary HK\$200 and deferred* HK\$5,000,000	Investment holding
Ta Fu Flooring Company Limited	Hong Kong	Hong Kong	100	Ordinary HK\$200 and deferred* HK\$1,000,000	Investment holding

12. Interests in Subsidiaries (continued)

Name of subsidiary	Place of incorporation/ registration	Place of operation	Percentage of issued share capital/ registered capital held %	Issued and fully paid capital/ registered capital	Principal activities
Indirectly held by the Company (continued)					
Ta Fu International Development Limited	Hong Kong	Hong Kong	100	Ordinary HK\$200 and deferred* HK\$10,000	Inactive
Fulbond High-Tech Investment Limited	Hong Kong	Hong Kong	100	Ordinary HK\$200 and deferred* HK\$200	Inactive
Ta Fu Furniture Co., Limited	Hong Kong	Hong Kong	100	Ordinary HK\$20 and deferred* HK\$20	Investment holding
Senbond Building Materials Limited	Hong Kong	Hong Kong	100	Ordinary HK\$200 and deferred* HK\$10,000	Provision of management services
Ta Fu Properties Co., Limited	Hong Kong	Hong Kong	100	Ordinary HK\$20 and deferred* HK\$20	Property investment
瀋陽福昇中密度板有限公司 Shenyang Fusheng Wood Clipboard Co., Ltd. ("Fusheng") (Note)	PRC	PRC	51	US\$3,000,000	Manufacture and sale of wooden products
吉林省福春木業有限公司 Jilin Province Fuchun Timber Co., Ltd. (Note)	PRC	PRC	55	RMB17,464,000	Manufacture and sale of wooden products
吉林福敦木業有限公司 Jilin Fudun Timber Co., Ltd. (Note)	PRC	PRC	67	RMB223,158,165	Manufacture and sale of wooden products

* The deferred shares are non-voting and are not entitled to participate in the distribution of profits in any financial year and are only entitled to a return of capital on liquidation when the net assets of the relevant company available for distribution are in excess of HK\$100,000,000,000,000,000.

Note: Such companies are Sino-foreign equity joint ventures.

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

13. Interests in Associates

	THE GROUP		THE COMPANY	
	2004 US\$'000	2003 US\$'000	2004 US\$'000	2003 US\$'000
Unlisted shares, at cost	—	—	2,904	2,904
Share of net assets of the associates	4,859	4,958	—	—
	4,859	4,958	2,904	2,904

Particulars of the Group's associates at 31 December 2004 are as follows:

Name of associate	Place of incorporation/ registration	Place of operation	Percentage of issued share capital/ registered capital held by the Group %	Issued share capital/ registered capital	Principal activities
Fulbond System Pte Ltd.*	Singapore	Singapore	39.1	S\$150,000	Trading of electrical and electronic components
Fulhua Microelectronics Corporation* 福華微電子股份有限公司	Cayman Islands	Taiwan	31.73	Ordinary US\$100,000 and Series A & B preference** US\$21,290,572	Investment holding
福華先進微電子(上海)有限公司 Fulhua Microelectronics (Shanghai) Corporation (Note 1)	PRC	PRC	31.73	US\$1,000,000	Provision of IC design services
Fulhua Microelectronics Corporation USA, Incorporated	USA	USA	31.73	US\$50,000	Inactive
Forward Sino Enterprises Limited	British Virgin Islands	PRC	31.73	US\$1	Investment holding

13. Interests in Associates (continued)

Name of associate	Place of incorporation/ registration	Place of operation	Percentage of issued share capital/ registered capital held by the Group %	Issued share capital/ registered capital	Principal activities
瀋陽福陽人造板有限公司 Shenyang Fuyang Wood-Basal Panel Ltd. (Note 2)	PRC	PRC	40	US\$5,000,000	Manufacture and sale of wooden products
天津福津木業有限公司 Tianjin Fortune Timber Co., Ltd. (Note 2)	PRC	PRC	49.5	US\$17,453,021	Manufacture and sale of wooden products
湖北福漢木業有限公司 Hubei Fuhan Timber Co., Ltd. (Note 2)	PRC	PRC	48.0	US\$4,567,565	Manufacture and sale of wooden products
Sota Design Technology Inc. 源捷科技股份有限公司 (Note 3)	Taiwan	Taiwan	16.37	NT\$200,000,000	Provision of IC design services
天津福家家具有限公司 Tianjin Fortune Furniture Co., Ltd. (Note 2) ***	PRC	PRC	46.47	US\$8,000,000	Manufacture and sale of wooden furniture

* Directly held by the Company.

** The Series A and B preferred shares are voting. They are entitled to receive non-cumulative dividends in preference to the ordinary shares for a value of US\$0.01 per share each year, when and if dividends are declared by the board of directors of this subsidiary.

In the event of liquidation or winding up of this subsidiary, the holders of the Series A and B preferred shares shall be entitled to receive, *pari passu* among themselves, but prior to and in preference to the holders of ordinary shares, out of the assets of this subsidiary that is legally available for distribution, an amount equals to the US\$0.05 per share, together with any declared but unpaid dividends. All remaining assets of this subsidiary, if any, shall be distributed to the holders of Series A preferred shares and ordinary shares *pro rata*.

*** In January 2004, the Group entered into two disposal agreements with a PRC shareholder of two associates pursuant to which the Group has agreed to dispose of two associates, namely 天津福家家具有限公司 Tianjin Fortune Furniture Co. Ltd. and 天津福滿家家具有限公司 Tianjin Fortune Furniture Co., Ltd. ("TFF") at a net consideration of RMB1 and RMB6,000,000 respectively. Both associates were engaged in the manufacturing and sale of wooden furniture. However, as at 31 December 2004, the completion of the disposal is still pending for the consents of relevant government authorities in the PRC. During the year, due to the injection of additional paid up capital into TFF by the PRC shareholder, the Group's equity interest in TFF was diluted to 14.5% and TFF was reclassified to investments in securities accordingly.

13. Interests in Associates (continued)

Notes:

- (1) The Company is a wholly foreign owned enterprise of an associate.
- (2) Such companies are Sino-foreign equity joint ventures.
- (3) The Company is a non-wholly owned subsidiary of an associate.

14. Goodwill

	US\$'000
THE GROUP	
COST	
At 1 January 2004 and 31 December 2004	2,699
<hr/>	
AMORTISATION AND IMPAIRMENT	
At 1 January 2004 and 31 December 2004	2,699
<hr/>	
NET BOOK VALUE	
At 31 December 2004	—
At 31 December 2003	—

The goodwill represented the goodwill arising on the purchase of subsidiaries and was amortised over a period of five years.

Full impairment loss was recognised based on the recoverable amounts of the goodwill which were determined by the estimated discounted net future cash flows from the related subsidiaries.

15. Investments in Securities

	THE GROUP		THE COMPANY	
	2004	2003	2004	2003
	US\$'000	US\$'000	US\$'000	US\$'000
Investment securities:				
Unlisted equity securities	441	1,974	—	1,974

15. Investments in Securities (continued)

Particulars of the investment securities at 31 December 2004 are as follows:

Name of investee	Place of incorporation	Proportion of nominal value of issued capital attributable to the Group and the Company	Principal activities
優網通國際資訊股份有限公司 UniSVR Global Information Technology Corp. ("UniSVR")	Taiwan	9.38%	Provision of information technology outsourcing services
廊坊福洋木業有限公司 Langfang Fuyang Timber Co., Ltd.#	PRC	51%	Manufacture and sale of wooden products
天津福滿家家具有限公司 Tianjin Fortune Furniture Co., Ltd. (Note 13)	PRC	14.5%	Manufacturing and sale of wooden furniture

The Group holds more than half of the issued share capital of the Company but is not in a position to control the composition of the board of directors or equivalent governing body of this company and therefore the Group does not control Langfang Fuyang Timber Co., Ltd..

16. Club Debenture**THE GROUP**

In the opinion of the directors, the club debenture of the Group is worth at least its carrying value.

17. Deferred Tax Assets

The following are the major deferred tax assets recognised by the Group, and the movements thereon during the current and prior periods:

	Allowance for bad debt provision US\$'000	Allowance for slow moving inventories US\$'000	Tax losses US\$'000	Impairment loss in respect of plant and equipment US\$'000	Accelerated accounting depreciation US\$'000	Other temporary differences US\$'000	Total US\$'000
At 1 January 2003	(54)	(38)	(257)	(64)	(343)	(234)	(990)
(Credit) charge to income statement for the year	(71)	11	12	(36)	(283)	–	(367)
Disposal of subsidiaries	19	–	121	–	–	234	374
At 31 December 2003 and 1 January 2004	(106)	(27)	(124)	(100)	(626)	–	(983)
(Credit) charge to income statement for the year	(226)	(243)	(166)	49	468	–	(118)
Underprovision in prior year	(123)	(31)	143	(100)	(759)	–	(870)
At 31 December 2004	(455)	(301)	(147)	(151)	(917)	–	(1,971)

At the balance sheet date, the Group has unused tax losses of US\$26,568,000 (2003: US\$26,164,000) available for offset against future profits. A deferred tax asset has been recognised in respect of US\$483,000 (2003: US\$881,000) of such losses. No deferred tax asset has been recognised in respect of the remaining US\$26,085,000 (2003: US\$25,283,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of US\$1,202,000 (2003: US\$1,340,000) that will expire before 2009. Other losses will be carried forward indefinitely.

In addition, the Group has remaining deductible temporary differences of US\$113,195,000 arising from allowance for bad and doubtful debts, as well as allowance for slow moving inventories at the balance sheet date (2003: US\$121,089,000). No deferred tax asset has been recognised in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

At the balance sheet date, the Company has unused tax losses of US\$12,373,000 (2003: US\$11,544,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. The losses will be carried forward indefinitely.

In addition, the Company has deductible temporary differences of US\$75,996,000 arising from allowance for bad and doubtful debts at the balance sheet date (2003: US\$63,994,000). No deferred tax asset has been recognised in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

18. Inventories

	THE GROUP	
	2004 US\$'000	2003 US\$'000
Raw materials	2,138	2,653
Work in progress	1,110	865
Finished goods	3,251	4,153
	6,499	7,671

As at 31 December 2004, included above are raw materials of US\$nil (2003: US\$677,000), work in progress of US\$nil (2003: US\$54,000) and finished goods of US\$673,000 (2003: US\$1,008,000) which are carried at net realisable values.

19. Trade and Other Receivables

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

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

	THE GROUP	
	2004 US\$'000	2003 US\$'000
0 – 90 days	3,831	3,262
91 – 180 days	1,103	597
More than 180 days	387	431
	5,321	4,290
Other receivables	4,879	4,670
	10,200	8,960

20. Amounts due from/to Associates**THE GROUP**

The amounts due from (to) associates are unsecured, interest free and repayable on demand.

21. Trade and Other Payables

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

	THE GROUP	
	2004 US\$'000	2003 US\$'000
0 – 90 days	1,022	723
91 – 180 days	175	94
More than 180 days	868	841
	2,065	1,658
Other payables	2,231	3,073
	4,296	4,731

22. Amount due to Ultimate Holding Company**THE GROUP AND THE COMPANY**

The amount represents the balance payable to STJ in relation to the acquisition of 51% equity interest in Fusheng. The amount is unsecured, interest free and repayable on demand.

23. Convertible Note**THE GROUP
AND THE COMPANY**

	2004 US\$'000	2003 US\$'000
Convertible note		
– amount due within one year	–	1,204

On 6 August 2002, the acquisition agreement with STJ in connection with the purchase of a 51% equity interest in Fusheng was completed. On the same date, pursuant to the completion of the acquisition, the Company issued a convertible note in the principal amount of HK\$9,315,000 (equivalent to approximately US\$1,204,000) as part of the consideration in accordance with the terms as set out and disclosed in the Company's circular dated 1 November 2001. The convertible note will mature and will be repaid to the holder of the convertible note on the date falling two years after the date of issue of the convertible note. There is no early redemption option for the convertible note.

The holder of the convertible note has been granted the rights at any time during the period from the date of issue to and including the date 14 days prior to and excluding the maturity date to convert in whole the convertible note into new ordinary share of the Company of US\$0.001 each at a conversion price of HK\$0.04 per share.

The convertible note does not bear interest. All the convertible note has been repaid on 6 August 2004.

24. Bank and Other Borrowings

	THE GROUP		THE COMPANY	
	2004 US\$'000	2003 US\$'000	2004 US\$'000	2003 US\$'000
Bank loans				
– Secured	8,938	9,153	–	–
– Unsecured	–	116	–	–
	8,938	9,269	–	–
Three-year loan notes, unsecured (Note 1)	1,384	1,516	1,384	1,516
Other borrowings, unsecured (Note 2)	580	266	–	–
	10,902	11,051	1,384	1,516
The bank and other borrowings are repayable within a period of:				
Within one year	10,175	10,324	923	1,055
Between one to two years	461	461	461	461
Between two to five years	–	–	–	–
After five years	266	266	–	–
	10,902	11,051	1,384	1,516
Less: Amount due within one year shown under current liabilities	(10,175)	(10,324)	(923)	(1,055)
Amount due after one year	727	727	461	461

Notes:

1. According to the corporate restructuring of the Company and its subsidiaries which was completed on 30 March 2001, the creditors of the Group have received three-year loan notes from the Company with an aggregate face value of US\$4,400,000 which bear interest at a rate of 7% per annum. The three-year loan notes are repayable in six equal semi-annual instalments. The original repayment schedule of the remaining balances of the loan notes at year end has been extended for one more year.
2. Other borrowings include interest-free borrowings of US\$266,000 (2003: US\$266,000) which is payable after five years.

25. Share Capital

	Number of shares	Amount US\$'000
<i>Authorised:</i>		
At 1 January 2003, 31 December 2003 and 31 December 2004, ordinary shares of US\$0.001 each	100,000,000,000	100,000
<i>Issued and fully paid:</i>		
At 1 January 2004, ordinary shares of US\$0.001 each and 31 December 2003	9,134,431,954	9,134
Issue of shares upon the exercise of warrants (<i>Note</i>)	27,347,801	27
At 31 December 2004, ordinary shares of US\$0.001 each	9,161,779,755	9,161

Note: During the year ended 31 December 2004, the registered holders of 27,347,801 units of warrants exercised their rights to subscribe for ordinary shares of the Company at exercise price of HK\$0.02 per share. All shares issued rank pari passu with the then existing shares in issue in all respects.

26. Share Option Schemes

A new share option scheme was adopted by the Company on 19 November 2001 (the "New Share Option Scheme") to replace the Old Share Option Scheme. Pursuant to the New Share Option Scheme, the directors of the Company may, at their discretion, grant options to any directors, executives, employees and any other persons who have contributed or will contribute to the Group to subscribe for shares in the Company at a price determined by the directors and not less than the highest of:

- (i) The closing price of the shares of the Company as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant of the options;
- (ii) The average closing price of the shares of the Company as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant of the options; and
- (iii) The nominal value of the shares of the Company on the date of grant.

The issue of options under the New Share Option Scheme is subject to a maximum of 30% of the issued share capital of the Company from time to time.

The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

26. Share Option Schemes (continued)

A consideration of HK\$1 is payable on the grant of an option. The financial impact of the share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the income statement or balance sheet for their costs. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded in the share premium account.

Details of the movements of the share options granted under the New Share Option Scheme during the year are as follows:

Date of grant	Exercise price HK\$	Exercise period	Outstanding at 1 January 2003	Granted during the year	Number of share options Outstanding at 31 December		Lapsed during the year	Outstanding at 31 December 2004
					2003 and 1 January 2004	Granted during the year		
Executive and employees								
30 April 2002	0.050	1 January 2003 – 29 April 2012	31,200,000	–	31,200,000	–	–	31,200,000
30 April 2002	0.050	1 January 2004 – 29 April 2012	23,400,000	–	23,400,000	–	–	23,400,000
30 April 2002	0.050	1 January 2005 – 29 April 2012	23,400,000	–	23,400,000	–	–	23,400,000
24 January 2003	0.021	27 June 2003 – 23 January 2013	–	60,000,000	60,000,000	–	–	60,000,000
28 January 2003	0.020	1 February 2004 – 27 January 2013	–	20,000,000	20,000,000	–	–	20,000,000
28 January, 2003	0.020	1 February 2005 – 27 January 2013	–	16,000,000	16,000,000	–	–	16,000,000
Sub-total			78,000,000	96,000,000	174,000,000	–	–	174,000,000
Directors								
30 April 2002	0.050	30 April 2002 – 29 April 2012	250,000,000	–	250,000,000	–	50,000,000	200,000,000
Grand total			328,000,000	96,000,000	424,000,000	–	50,000,000	374,000,000

26. Share Option Schemes (continued)

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

The limit on the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the share option scheme of Wood Art must not exceed 30% of the number of the issued shares from time to time (subject to the approval of the shareholders of the Company). A consideration of HK\$1 is payable on the grant of an option.

Movements in the number of options to subscribe for shares in Wood Art for the year ended 31 December 2004 were set out below:

	Date of grant	Exercise period	Exercise price	Number of share options		
				Granted during the year	Lapsed during the year	At 31 December 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

No options were exercised by the grantee during the year.

Total consideration received during the year from employees for taking up the options granted is amounted to Nil (2003: HK\$2) for options granted under the New Share Option Scheme and HK\$1 (2003: Nil) for options granted under the share option scheme of Wood Art.

27. Warrants

In accordance with the corporate restructuring of the Group which was completed on 30 March 2001, a total of 1,346,051,326 units of warrants with subscription rights of approximately US\$3.4 million were issued. Each warrant entitles the holder thereof to subscribe in cash at an initial subscription price of HK\$0.02, subject to adjustments, for one share at any time between the date of issue of the warrants up to 31 March 2004.

During the year, 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.

No warrant was exercised during the year ended 31 December 2003.

28. Reserves**THE COMPANY**

	Share premium US\$'000	Warrant reserve US\$'000	Contributed surplus US\$'000	Capital redemption reserve US\$'000	Accumulated losses US\$'000	Total US\$'000
At 1 January 2003	47,423	1,564	1,614	4	(34,666)	15,939
Net loss for the year	-	-	-	-	(2,493)	(2,493)
<hr/>						
At 31 December 2003 and 1 January 2004	47,423	1,564	1,614	4	(37,159)	13,446
Issue of shares upon exercised of warrants	43	-	-	-	-	43
Transfer of warrant reserve upon exercise of warrants	74	(74)	-	-	-	-
Expiry of warrants	-	(1,490)	-	-	1,490	-
Net loss for the year	-	-	-	-	(6,645)	(6,645)
<hr/>						
At 31 December 2004	47,540	-	1,614	4	(42,314)	6,844

The Company has no reserves available for distribution as at 31 December 2004 and at 31 December 2003.

THE GROUP

General reserve comprises Enterprise Expansion Fund and General Reserve Fund set aside by certain subsidiaries in the PRC in accordance the memorandum and articles of association of those subsidiaries.

Capital reserve represents the reserve arising from the group restructuring taken place in 1996.

29. Disposal of Subsidiaries

	2004 US\$'000	2003 US\$'000
Net liabilities disposed of:		
Property, plant and equipment	-	6,577
Deferred tax assets	-	374
Inventories	-	479
Investments in securities	-	42
Trade and other receivables	-	3,391
Amount due from an associate	-	2
Bank balances and cash	-	6,973
Trade and other payables	-	(2,614)
Taxation payable	-	(50)
Amounts due to group companies	-	(294)
Bank and other borrowings	-	(8,186)
Minority interests	-	(8,656)
	-	(1,962)
Transfer to interest in associates	-	(3,294)
Reserves realised	-	709
Gain on disposal	-	9,212
Consideration	-	4,665
Satisfied by:		
Cash	-	4,563
Balance receivable (including in trade and other receivables)	-	102
	-	4,665
Net cash outflow arising on disposal:		
Cash consideration	-	4,563
Bank balances and cash disposed of	-	(6,973)
	-	(2,410)

In 2003, the subsidiaries disposed of in 2003 contributed approximately US\$3,925,000 to the Group's turnover and US\$1,708,000 to the Group's loss from operations.

30. Capital Commitments

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

	2004 US\$'000	2003 US\$'000
Capital expenditure contracted but not provided for in respect of acquisition of property, plant and equipment	2,678	130

The Company did not have any capital commitment at the balance sheet date of both years.

31. Leasing Arrangements

The Group as lessee

At the balance sheet date, the Group had the outstanding commitment of future minimum lease payments under non-cancellable operating leases in respect of land and buildings which are fall due as follows:

	THE GROUP	
	2004 US\$'000	2003 US\$'000
Within one year	29	27
In the second to fifth year inclusive	116	106
Over five years	52	74
	197	207

Most of the operating lease payments represent rental payable by the Group for certain of its rented premises for manufacturing purposes in the PRC. Leases are negotiated and rentals are fixed for an average term of five years.

The Company did not have any operating lease commitment at the balance sheet date of both years.

32. Pledge of Assets

At 31 December 2004, the Group had pledged certain properties with a carrying value of US\$271,000 (2003: US\$295,000) and plant and equipment of US\$9,380,000 (2003: US\$11,135,000) to various banks for securing bank loans and general banking facilities granted to the Group.

33. 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 to repay bank loans of approximately RMB73.6 million. This amount has not been equity accounted for by the Group as TFT has net deficit at 31 December 2004. 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 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 these financial statements, the ultimate outcome cannot be determined by the directors. However, at 31 December 2004, there is no impact on the Group's share of interest in TFFCL as TFFCL has nil net assets balance as at that date.

34. Related Party Transactions

Details of the Group's transactions with an associate and a related party are as follows:

	2004 US\$'000	2003 US\$'000
Subcontracting fee paid to an associate (<i>note a</i>)	63	90
Research and development fee paid to UniSVR (<i>note b</i>)	—	224
Purchases of raw materials from an associate (<i>note a</i>)	—	41
Rental income received from UniSVR (<i>note b</i>)	—	150

In 2003, the Group provided IC design services to 創傑科技股份有限公司 that amounted to approximately US\$257,000. Dr. Yang Ding-Yuan is also one of the directors of 創傑科技股份有限公司. The transaction was carried out at market price.

Notes:

- (a) The above transactions were carried out at market prices.
- (b) UniSVR is a company incorporated in Taiwan in which Dr. Yang Ding-Yuan, a director of the Company, has a beneficial interest. The pricing of the transactions was determined in accordance with the term of relevant agreements.