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

For the year ended 31st December 2004, the Group had reported losses attributable to shareholders of approximately $4,499,000 (2003 - $8,156,000). As at 31st December, 2004, the Group had net current liabilities of approximately $3,471,000 (2003 - $14,178,000) and outstanding bank loans of approximately $75,212,000 (2003 - $78,677,000) of which approximately $14,342,000 (2003 - $24,067,000) was due for repayment within the next twelve months.

During the year ended 31st December, 2004, the Group has successfully rescheduled repayment of certain long term bank loans granted to a wholly owned subsidiary of $59,211,000. As a result, the principal amount of the long term bank loans repayable in the year ended 31st December, 2004 have been reduced from approximately $11,418,000 to $3,177,000.

Subsequent to 31st December, 2004, the Group has successfully renewed short-term bank loans of approximately $2,350,000 for a further year to the second quarter of 2006.

In addition, the Group continues its efforts to minimise capital expenditures, rationalise costs and enhance operating results. In the opinion of the Directors, the measures 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, 2004. Accordingly, 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 Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). They have been prepared under the historical cost convention.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (collectively, "new HKFRSs") which are effective for accounting periods beginning on or after 1st January, 2005. The Group has not early adopted these new HKFRSs in the accounts for the year ended 31st December, 2004. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

(b) Group accounting

(i) Consolidation

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

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.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(b) Group accounting *(Continued)*

(i) Consolidation (Continued)

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, together with any unamortised goodwill and any related accumulated foreign currency translation reserve.

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 sheets 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.

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. Other fixed assets are depreciated at rates sufficient to write off their costs less accumulated impairment losses over their estimated useful lives on a straight-line basis. 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%

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. No depreciation is provided for CIP until the assets are completed and ready for their intended use.

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.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(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.

(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.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(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) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(i) 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.

(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 28.

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.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(i) Employee benefits *(Continued)*

(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.

(j) 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 recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

(k) Contingent liabilities and contingent assets

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.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(k) Contingent liabilities and contingent assets *(Continued)*

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.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the accounts when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(l) 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.

(m) 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.

(n) 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 24 to the accounts.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(n) Segment reporting *(Continued)*

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:

	2004	2003
	$'000	*$'000*
Turnover		
Flooring	**36,945**	32,068
Structural	**33,115**	30,890
Moisture resistant plywood	**31,139**	34,617
Weather and boil proof plywood	**25,649**	15,413
Jamb and mouldings	**21,295**	22,176
Veneer	**772**	1,211
Others	**607**	214
Total turnover	**149,522**	136,589
Other revenue		
Interest income	**6**	5
Others	**567**	260
	573	265
Total turnover and other revenue	**150,095**	136,854

4. TURNOVER AND OTHER REVENUE *(Continued)*

Turnover by geographical locations:

	2004	2003
	$'000	*$'000*
Japan	**59,085**	57,111
The People's Republic of China ("the PRC")	**38,900**	26,679
North America	**21,698**	21,387
Europe	**16,482**	14,708
South East Asia	**9,557**	9,005
Others	**3,800**	7,699
Total turnover	**149,522**	136,589

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

5. OPERATING LOSS

Operating loss is stated after charging and crediting the following:

	2004	2003
	$'000	*$'000*
Charging –		
Cost of inventories (excluding write-down of inventories to net realisable value)	**122,401**	113,125
Write-down of inventories to net realisable value	**707**	559
Provision for doubtful receivables	**20**	121
Staff costs (exclude Directors' emoluments)		
– Wages and salaries	**2,826**	2,895
– Pension costs *(Note 28)*	**370**	749
Directors' emoluments *(Note 10(a))*	**813**	395
Depreciation of property, plant and equipment		
– owned assets	**9,682**	9,760
– assets held under finance leases	**76**	38
Operating lease expenses on land and buildings	**117**	144
Loss on disposals of property, plant and equipment	**96**	107
Exchange losses, net	**66**	113
Auditors' remuneration	**250**	254
Crediting –		
Interest income from bank deposits	**6**	5
Realised gain on disposal of subsidiaries	**–**	3,348

6. FINANCE COSTS

	2004	2003
	$'000	*$'000*
Interest on bank loans	**3,108**	3,611
Interest on other loans wholly repayable within 5 years	**259**	325
Interest element of finance leases	**26**	29
	3,393	3,965

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, 2004. The applicable income tax rate of Manuply is 28% (2003 – 28%). As at 31st December, 2004, Manuply had aggregate unutilised tax allowances of approximately $51,715,000 (2003 – $41,429,000) and tax losses of approximately $466,000 (2003 – $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 of Dalian Global Wood Products Co., Ltd is 33% (30% state unified income tax and 3% local income tax) and that of Changchun Winpro Wood Industries Co., Ltd is 18% (15% 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 (credited)/charged to the consolidated profit and loss account represents:

	2004 ***$'000***	2003 *$'000*
Current taxation		
– Overseas taxation	**16**	–
Deferred taxation relating to the origination and reversal of temporary differences *(Note 18)*	**(2,945)**	323
	(2,929)	323

8. LOSS ATTRIBUTABLE TO SHAREHOLDERS

The loss attributable to shareholders is dealt with in the accounts of the Company to the extent of approximately $1,102,000 (2003 – $757,000) (Note 20).

9. LOSS PER SHARE

The calculation of basic loss per share is based on the Group's consolidated loss attributable to shareholders of approximately $4,499,000 (2003 – $8,156,000) and on 5,580,897,243 shares (2003 – 5,580,897,243 shares) in issue throughout the year.

No diluted loss per share for the years ended 31st December, 2004 and 2003 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:

	2004	2003
	$'000	*$'000*
Fees	**236**	39
Other emoluments for Executive Directors		
– Basic salaries and allowances	**567**	350
– Other allowances	**10**	6
	813	395

Directors' fees disclosed above include approximately $19,000 (2003 – $13,000) 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	
	2004 *	2003
Executive Directors		
– Nil to $128,200 (Nil to HK$1,000,000)	**4**	2
– $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)	**–**	–
– $384,601 to $448,700 (HK$3,000,001 to HK$3,500,000)	**1**	–
Non-executive Directors		
– Nil to $128,200 (Nil to HK$1,000,000)	**6**	6
	11	9

* *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.

31st December, 2004
(Amounts expressed in United States dollar unless otherwise stated)

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 (2003 – one) Director whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining four (2003 – four) highest paid individuals during the year are as follows:

	2004	2003
	$'000	*$'000*
Basic salaries and allowances	**392**	376
Bonus	**47**	45
Contributions to pension schemes	**5**	8
	444	429

The emoluments fell within the following bands:

	Number of individuals	
	2004 *	2003
– Nil to $128,200 (Nil to HK$1,000,000)	**3**	3
– $128,201 to $192,300 (HK$1,000,001 to HK$1,500,000)	**1**	1
	4	4

* *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

	2004	2003
	$'000	*$'000*
Unlisted shares, at cost	**30,529**	29,649

The following is a list of the significant subsidiaries as at 31st December, 2004:

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%
Glowing Schemes Sdn. Bhd.	Malaysia, limited liability company	Dormant, Malaysia	Malaysian Ringgit 1,200,000	–	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	Interest held Indirectly
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	$3,000,000	–	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%

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.

11. INVESTMENTS IN SUBSIDIARIES *(Continued)*

(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 25(b)). 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.

12. PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment are as follows:

Group

	2004								2003
	Land and buildings $'000	Leasehold improve-ments $'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	42,274	443	134,325	2,918	1,676	1,563	177	183,376	220,452
Disposal of subsidiaries	–	–	–	–	–	–	–	–	(38,414)
Additions	192	–	1,024	153	75	–	–	1,444	1,634
Disposals	(36)	(9)	(52)	(29)	(74)	–	–	(200)	(858)
Transfers	–	–	–	–	–	–	–	–	–
Exchange adjustment	674	17	34	39	1	–	1	766	562
End of year	43,104	451	135,331	3,081	1,678	1,563	178	185,386	183,376
Accumulated depreciation									
Beginning of year	7,011	164	55,556	1,997	1,117	325	–	66,170	60,936
Disposal of subsidiaries	–	–	–	–	–	–	–	–	(4,727)
Charge for the year	920	44	8,310	289	164	31	–	9,758	9,798
Disposals	–	(8)	–	(26)	(54)	–	–	(88)	(199)
Exchange adjustment	87	9	11	27	–	–	–	134	362
End of year	8,018	209	63,877	2,287	1,227	356	–	75,974	66,170
Accumulated impairment loss									
Beginning of year	5,391	–	8,456	–	–	–	–	13,847	41,170
Disposal of subsidiaries	–	–	–	–	–	–	–	–	(32,330)
Charge for the year	–	–	3,894	–	–	–	–	3,894	5,343
Disposal	–	–	–	–	–	–	–	–	(347)
Exchange adjustment	219	–	10	–	–	–	–	229	11
End of year	5,610	–	12,360	–	–	–	–	17,970	13,847
Net book value									
End of year	29,476	242	59,094	794	451	1,207	178	91,442	103,359
Beginning of year	29,872	279	70,313	921	559	1,238	177	103,359	118,346

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

Certain property, plant and equipment of the Group with a net book value of approximately $79,167,000 (2003 – $93,442,000) have been pledged as security for certain of the Group's banking facilities (Note 16 and 27(a)).

Certain plant and equipment of the Group with a net book value of approximately $737,000 (2003 – $791,000) 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:

	2004	2003
	$'000	*$'000*
Land and buildings –		
Singapore – Freehold	**9,073**	8,921
Malaysia – Leases of over 50 years	**13,222**	13,510
The PRC – Leases of between 10 to 50 years *Note 1*	**2,950**	3,063
Buildings only –		
The PRC *Note 2*	**4,231**	4,378
	29,476	29,872

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, 2004, the remaining period of the land use rights is 32 (2003 – 33) years.

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. INVENTORIES

	2004	2003
	$'000	*$'000*
Raw materials	**7,425**	6,780
Work-in-progress	**4,680**	5,622
Finished goods	**7,290**	6,236
	19,395	18,638

As at 31st December, 2004, the amount of inventories carried at net realisable value was approximately $4,288,000 (2003 – $2,174,000).

As at 31st December, 2004, inventories amounting to approximately $10,928,000 (2003 – $11,419,000) were subject to floating charges as collateral for certain of the Group's banking facilities (Note 27(b)).

14. TRADE RECEIVABLES

	2004	2003
	$'000	*$'000*
0 – 30 days	**7,183**	7,661
31 – 60 days	**2,823**	2,772
61 – 90 days	**1,026**	570
91 – 180 days	**1,371**	408
181 – 360 days	**169**	1,027
Over 360 days	**4,312**	5,070
	16,884	17,508
Less: Provision for doubtful receivables	**(3,170)**	(3,146)
	13,714	14,362

14. TRADE RECEIVABLES *(Continued)*

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, 2004, trade receivables amounting to approximately $1,651,000 (2003 – $3,992,000) were subject to floating charges as collateral for certain of the Group's banking facilities (Note 27 (c)).

15. TRADE PAYABLES

	2004	2003
	$'000	*$'000*
0 – 30 days	**8,260**	8,156
31 – 60 days	**4,301**	4,909
61 – 90 days	**3,117**	2,918
91 – 180 days	**598**	2,863
181 – 360 days	**141**	777
Over 360 days	**960**	700
	17,377	20,323

16. BANK LOANS

(a) Short-term bank loans – all secured

	2004	2003
	$'000	*$'000*
Banker's acceptance	**5,701**	5,120
Short-term bank loans	**6,445**	7,060
	12,146	12,180

As at 31st December, 2004, short-term bank loans (including banker's acceptance) bore interest at commercial banking rates ranging from 2.19% to 6.90% (2003 – 2.19% to 6.56%) 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 27).

16. BANK LOANS *(Continued)*

(b) Long term bank loans – all secured

	2004	2003
	$'000	*$'000*
Bank loans repayable within a period		
– not exceeding 1 year	**2,196**	11,887
– more than 1 year but not exceeding 2 years	**4,103**	17,886
– more than 2 years but not exceeding 5 years	**16,197**	32,084
– beyond 5 years	**40,570**	4,640
	63,066	66,497
Less: Amount due within 1 year included in current liabilities	**(2,196)**	(11,887)
	60,870	54,610

	2004	2003
	$'000	*$'000*
Bank loans		
– wholly repayable within 5 years	**7,618**	59,211
– not wholly repayable within 5 years	**55,448**	7,286
	63,066	66,497
Less: Amount due within 1 year included in current liabilities	**(2,196)**	(11,887)
	60,870	54,610

As at 31st December, 2004, long term bank loans bore interest at commercial banking rates ranging from 3.17% to 8.00% (2003 – 3.61% to 9.00%) 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 Group's trade receivables, corporate guarantees given by the Company and personal guarantees given by a Director of the Company (Note 27).

17. OBLIGATIONS UNDER FINANCE LEASE

As at 31st December, 2004, the Group's finance lease liabilities, net of finance lease charges, were repayable as follows:

	2004	2003
	$'000	*$'000*
Future minimum payments payable within a period		
– not exceeding 1 year	**184**	497
– more than 1 year but not exceeding 2 years	**41**	82
– more than 2 years but not exceeding 5 years	**23**	77
	248	656
Less: Amounts payable within 1 year included under accruals and other payables	**(184)**	(497)
	64	159

18. DEFERRED TAXATION

Deferred taxation are calculated in full on temporary differences under the liability method using the tax rates enacted or substantively enacted by the balance sheet date.

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

	2004	2003
	$'000	*$'000*
Deferred tax assets		
Beginning of year	**11,797**	11,818
Deferred taxation credited (charged) to profit and loss account *(Note 7)*	**2,813**	(21)
End of year	**14,610**	11,797
Deferred tax liabilities		
Beginning of year	**10,617**	10,315
Deferred taxation (credited) charged to profit and loss account *(Note 7)*	**(132)**	302
Exchange differences	**2**	–
End of year	**10,487**	10,617

As at 31st December, 2004, the deferred tax assets to be recovered after more than 12 months amounting to approximately $9,512,000 (2003 – $8,405,000).

Deferred income tax assets are recognised for tax loss and unused tax credits carried forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. As at 31st December, 2004, a subsidiary of the Group has tax losses of approximately $466,000 (2003 – $466,000) and unused tax credits of approximately $51,715,000 (2003 – $41,429,000) respectively to be carried forward to offset against future taxable income. These tax losses and tax credits have no expiry date.

As at 31st December, 2004, the deferred tax liabilities to be settled after more than 12 months amounting to approximately $8,697,000 (2003 – $8,885,000).

18. DEFERRED TAXATION *(Continued)*

Deferred income tax liabilities represent the taxation effect of taxable temporary differences relating to property, plant and equipment. As at 31st December, 2004, two subsidiaries of the Group have taxable temporary differences of approximately $37,466,000 (2003 – $37,931,000).

As at 31st December, 2004, major unprovided deferred tax assets of the Group are as follows:

	2004	2003
	$'000	*$'000*
Relating to:		
– Tax losses	**2,326**	4,693
– Temporary difference of property, plant and equipment	**2,054**	2,458
– Others	**356**	619
	4,736	7,770

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 those PRC subsidiaries can only be carried forward for 5 years.

19. SHARE CAPITAL

The details of share capital are as follows:

	Number of shares		**Amount**	
	2004	2003	**2004**	2003
	'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

20. RESERVES

Group

	Share premium $'000	Contributed surplus $'000 (Note 21)	Cumulative translation adjustments $'000	Accumulated losses $'000	Total $'000
As at 1st January, 2004	90,652	7,814	(3,823)	(78,088)	16,555
Loss attributable to shareholders for the year	–	–	–	(4,499)	(4,499)
Translation adjustments	–	–	67	–	67
As at 31st December, 2004	90,652	7,814	(3,756)	(82,587)	12,123

	Share premium $'000	Contributed surplus $'000 (Note 21)	Cumulative translation adjustments $'000	Accumulated losses $'000	Total $'000
As at 1st January, 2003	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

20. RESERVES *(Continued)*

Company

	Share premium $'000	Contributed surplus $'000 (Note 21)	Accumulated losses $'000	Total $'000
As at 1st January, 2004	90,652	21,122	(102,645)	9,129
Loss attributable to shareholders for the year	–	–	(1,102)	(1,102)
As at 31st December, 2004	90,652	21,122	(103,747)	8,027

	Share premium $'000	Contributed surplus $'000 (Note 21)	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

As at 31st December, 2004, the Company did not have any reserve available for distribution to the shareholders.

21. 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.

22. 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.

(Amounts expressed in United States dollar unless otherwise stated)

22. SHARE OPTIONS *(Continued)*

Details of the share options issued under the old option scheme and outstanding as at 31st December, 2004 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	Lapsed 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	–	(8,000,000)	16,500,000
Others	26/8/1999	14/3/2000 to 13/3/2010	HK$0.129	47,000,000	–	(47,000,000)	–
				231,300,000	–	(55,000,000)	176,300,000

23. CONSOLIDATED CASH FLOW STATEMENT

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

	2004	2003
	$'000	*$'000*
Loss before taxation	**(7,428)**	(7,833)
Adjustment for:		
Depreciation	**9,758**	9,798
Impairment of property, plant and equipment	**3,894**	5,343
Interest expense	**3,393**	3,965
Interest income from bank deposits	**(6)**	(5)
Provision for doubtful receivables	**20**	121
Write-down of inventories to net realisable value	**707**	559
Loss on disposal of property, plant and equipment	**96**	107
Realised gain on disposal of subsidiaries	**–**	(3,348)
Operating profit before working capital changes	**10,434**	8,707
Increase in inventories	**(1,464)**	(1,088)
Decrease/(Increase) in prepayments and other receivables	**860**	(941)
Decrease in trade receivables	**624**	93
Decrease in trade payables	**(2,946)**	(948)
Increase in accruals and other payables	**1,896**	939
Net cash inflow generated from operations	**9,404**	6,762

23. 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, 2003	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
New bank loans	581	–	–	581
Repayment of loans	(4,332)	–	–	(4,332)
New finance leases	–	–	92	92
Repayment of principal portion of finance leases	–	–	(502)	(502)
Exchange difference	286	–	1	287
As at 31st December, 2004	75,212	–	248	75,460

(c) Significant non-cash transactions

During the year, the Group entered into finance leases of approximately $92,000 (2003 – $318,000) in respect of the acquisition of property, plant and equipment.

24. SEGMENTAL INFORMATION

Primary segment by geographical locations of operations:

	2004					
	The PRC	**Hong Kong**	**Singapore**	**Malaysia**	**Elimination**	**Consolidated**
	$'000	***$'000***	***$'000***	***$'000***	***$'000***	***$'000***
Turnover						
– External	50,103	2,356	–	97,063	–	149,522
– Inter-segment	–	–	–	546	(546)	–
Total turnover	50,103	2,356	–	97,609	(546)	149,522
Result						
Segment Result	(2,051)	(66)	47	3,031	–	961
Impairment of property, plant and equipment	–	–	–	(3,894)	–	(3,894)
Unallocated corporate expenses						(1,102)
Operating loss						(4,035)
Finance costs						(3,393)
Taxation						2,929
Loss attributable to shareholders						(4,499)
Assets						
Segment assets	42,448	400	9,727	79,116	–	131,691
Unallocated corporate assets						14,705
						146,396
Liabilities						
Segment liabilities	11,252	167	415	15,519	–	27,353
Unallocated corporate liabilities						87,883
						115,236
Other information						
Impairment losses recognised in the profit and loss account	–	–	–	3,894	–	3,894
Capital expenditures	228	–	10	1,206	–	1,444
Depreciation	1,644	7	421	7,686	–	9,758

24. SEGMENTAL INFORMATION *(Continued)*

	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	878	(64)	13	1,404	–	2,231
Impairment of property, plant and equipment	–	–	(5,343)	–	–	(5,343)
Unallocated corporate expenses						(756)
Operating loss						(3,868)
Finance costs						(3,965)
Taxation						(323)
Loss attributable to shareholders						(8,156)
Assets						
Segment assets	44,449	621	9,580	89,287	–	143,937
Unallocated corporate assets						11,944
						155,881
Liabilities						
Segment liabilities	12,784	372	425	14,880	–	28,461
Unallocated corporate liabilities						91,828
						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

24. SEGMENTAL INFORMATION *(Continued)*

Secondary segment by products:

	2004				2003			
	Turnover	**Operating profit (loss)**	**Assets**	**Capital expenditures**	Turnover	Operating profit (loss)	Assets	Capital expenditures
	$'000	***$'000***	***$'000***	***$'000***	*$'000*	*$'000*	*$'000*	*$'000*
Flooring	**36,945**	**(742)**	**21,043**	**327**	32,068	767	17,240	430
Structural	**33,115**	**790**	**28,341**	**192**	30,890	316	27,456	199
Moisture resistant plywood	**31,139**	**(118)**	**29,801**	**464**	34,617	389	44,662	597
Weather and boil proof plywood	**25,649**	**(29)**	**20,874**	**325**	15,413	249	19,769	264
Jamb & mouldings	**21,295**	**425**	**14,582**	**103**	22,176	839	16,211	113
Veneer	**772**	**(22)**	**866**	**13**	1,211	(25)	1,146	15
Others	**607**	**27**	**985**	**10**	214	10	279	4
Unallocated	**–**	**(4,366)**	**29,904**	**10**	–	(6,413)	29,118	12
Total	**149,522**	**(4,035)**	**146,396**	**1,444**	136,589	(3,868)	155,881	1,634

25. COMMITMENTS

(a) Lease commitments

As at 31st December, 2004, the Group had future aggregate minimum lease payments in respect of land and buildings under various non-cancellable operating leases arrangements as follows:

	2004	2003
	$'000	*$'000*
No later than 1 year	**199**	205
Later than 1 year and not later than 5 years	**527**	260
Later than 5 years	**867**	932
	1,593	1,397

(b) 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.

	2004	2003
	$'000	*$'000*
Payable during the following periods:		
– No later than 1 year	**500**	492
– Later than 1 year and not later than 5 years	**2,050**	2,020
– Later than 5 years	**2,938**	3,468
	5,488	5,980

26. CONTINGENT LIABILITIES

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

	Group		Company	
	2004	2003	**2004**	2003
	$'000	*$'000*	***$'000***	*$'000*
Discounted bills with recourse	**2,662**	2,730	**–**	–
Corporate guarantee given to banks for banking facilities granted to subsidiaries *(Note 27(d))*	**–**	–	**63,261**	69,227
	2,662	2,730	**63,261**	69,227

27. BANKING FACILITIES

As at 31st December, 2004, the Group had aggregate banking facilities as follows:

	2004			
	Utilised	**Unutilised**	**Total facilities**	***Note***
	$'000	***$'000***	***$'000***	
– Bank loans	**66,306**	**–**	**66,306**	***(a) – (e)***
– Trade facilities	**12,894**	**7,700**	**20,594**	***(a) – (e)***
	79,200	**7,700**	**86,900**	

	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	

27. 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 $79,167,000 (2003 – $93,442,000);

(b) Floating charges on certain of the Group's inventories of approximately $10,928,000 (2003 – $11,419,000);

(c) Floating charges on certain of the Group's trade receivables of approximately $1,651,000 (2003 – $3,992,000);

(d) Corporate guarantees given by the Company (Note 26);

(e) Personal guarantees given by a Director of the Company to banks in respect of certain bank loans being granted to the Group (Note 29).

28. 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.

28. 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:

	2004	2003
	$'000	*$'000*
Gross employer's contributions	**370**	749

29. 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, 2004, a Director of the Company has provided personal guarantees to banks in respect of certain bank loans being granted to the Group amounting to approximately $65,850,000 (2003 – $69,090,000).

30. COMPARATIVE FIGURES

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

31. APPROVAL OF ACCOUNTS

The accounts were approved and authorised for issue by the Board of Directors on 19th April, 2005.