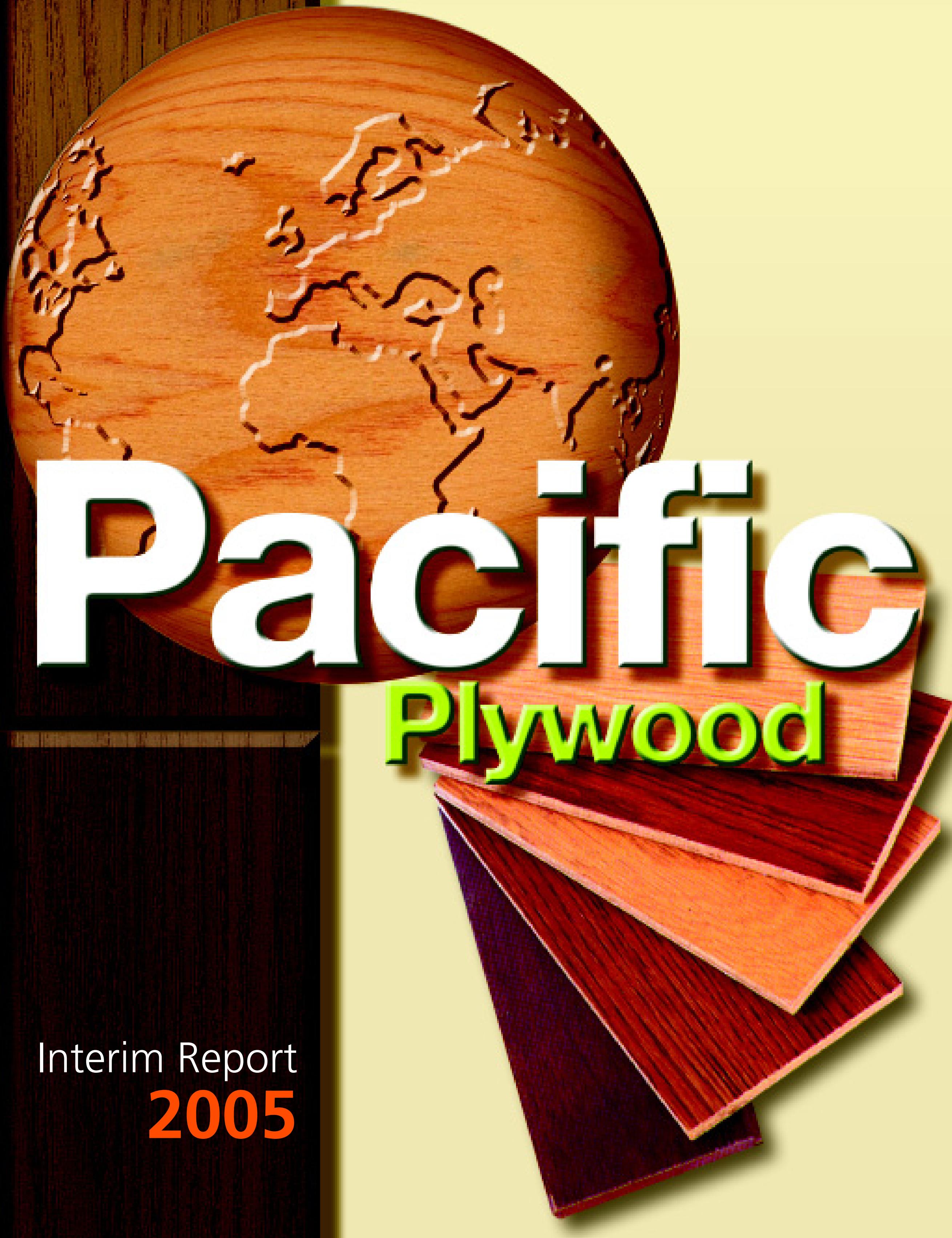
Pacific Plywood Holdings Limited

太平洋實業控股有限公司



Interim Report 2005

The Directors of Pacific Plywood Holdings Limited (the "Company") are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30th June, 2005, together with the comparative figures for the corresponding period in 2004, as follows:–

CONDENSED CONSOLIDATED INCOME STATEMENT – UNAUDITED

		For the six months ended 30th June,	
		2005	2004
	Note	***US$'000***	*US$'000*
		(Unaudited)	(Unaudited)
Turnover	*4*	**70,629**	75,636
Cost of sales		**(59,122)**	(60,546)
Gross profit		**11,507**	15,090
Other revenue		**166**	188
Distribution costs		**(7,164)**	(8,991)
Administrative expenses		**(6,030)**	(5,311)
Other operating expenses		**(72)**	(74)
Operating (loss)/profit		**(1,593)**	902
Finance costs		**(1,878)**	(1,692)
Loss before taxation	*5*	**(3,471)**	(790)
Taxation	*6*	**239**	–
Loss for the period		**(3,232)**	(790)
Attributable to:			
Shareholders of the Company		**(3,232)**	(790)
Minority interests		**–**	–
		(3,232)	(790)
Loss per share – Basic	*7*	**US(0.06) cents**	US(0.01) cents
Loss per share – Diluted	*7*	**N/A**	N/A
Dividends		**–**	–

CONDENSED CONSOLIDATED BALANCE SHEET – UNAUDITED

	Note	**30th June, 2005** *US$'000* **(Unaudited)**	31st December, 2004 *US$'000* (Restated)
Non-current assets			
Property, plant and equipment	*8*	**84,294**	88,391
Leasehold land	*8*	**3,036**	3,051
Deferred tax assets	*9*	**4,376**	14,610
Total non-current assets		**91,706**	106,052
Current assets			
Inventories		**19,221**	19,395
Trade receivables	*10*	**14,364**	16,376
Prepayments and other receivables		**5,634**	4,450
Cash and bank balances		**2,341**	2,785
Total current assets		**41,560**	43,006
Current liabilities			
Trade payables	*11*	**(16,773)**	(17,377)
Accruals and other payables		**(11,565)**	(10,212)
Taxes payable		**(1,884)**	(1,884)
Short-term bank loans	*12*	**(13,372)**	(14,808)
Long term bank loans – current portion	*12*	**(2,839)**	(2,196)
Total current liabilities		**(46,433)**	(46,477)
Net current liabilities		**(4,873)**	(3,471)
Total assets less current liabilities		**86,833**	102,581
Non-current liabilities			
Long term bank loans, less current portion	*12*	**(58,840)**	(60,870)
Obligations under finance leases		**(90)**	(64)
Deferred tax liabilities	*9*	**(14)**	(10,487)
Total non-current liabilities		**(58,944)**	(71,421)
NET ASSETS		**27,889**	31,160
CAPITAL AND RESERVES			
Share capital	*13*	**18,037**	18,037
Reserves		**8,852**	12,123
Minority interests		**1,000**	1,000
Total equity		**27,889**	31,160

CONDENSED CONSOLIDATED STATEMENT OF CASHFLOWS – UNAUDITED

	For the six months ended 30th June,	
	2005	2004
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Net cash inflow from operating activities	**3,646**	2,481
Returns on investments and servicing of finance	**(1,872)**	(1,690)
Taxation paid	**–**	–
Net cash outflow from investing activities	**(911)**	(456)
Net cash inflow before financing	**863**	335
Net cash outflow from financing	**(1,341)**	(915)
Decrease in cash and cash equivalents	**(478)**	(580)
Effect of foreign exchange rate changes	**34**	(14)
Cash and cash equivalents, beginning of period	**2,785**	2,401
Cash and cash equivalents, end of period	**2,341**	1,807
Analysis of cash and cash equivalents: Cash and bank balances	**2,341**	1,807

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED

	Attributable to equity holders of the Company							
		Reserves						
	Share capital	**Share premium**	**Cumulative translation adjustments**	**Contributed Surplus**	**Accumulated losses**	**Sub-total**	**Minority Interest**	**Total**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Balance at 1st January, 2005, as previously reported as equity	18,037	90,652	(3,756)	7,814	(82,587)	12,123	–	30,160
Balance at 1st January, 2005, as previously separately reported as minority interest	–	–	–	–	–	–	1,000	1,000
Balance at 1st January, 2005, as restated	18,037	90,652	(3,756)	7,814	(82,587)	12,123	1,000	31,160
Loss for the period	–	–	–	–	(3,232)	(3,232)	–	(3,232)
Currency translation differences	–	–	(39)	–	–	(39)	–	(39)
Balance at 30th June, 2005	18,037	90,652	(3,795)	7,814	(85,819)	8,852	1,000	27,889
Balance at 1st January, 2004, as previously reported as equity	18,037	90,652	(3,823)	7,814	(78,088)	16,555	–	34,592
Balance at 1st January, 2004, as previously separately reported as minority interest	–	–	–	–	–	–	1,000	1,000
Balance at 1st January, 2004, as restated	18,037	90,652	(3,823)	7,814	(78,088)	16,555	1,000	35,592
Loss for the period	–	–	–	–	(790)	(790)	–	(790)
Currency translation differences	–	–	(7)	–	–	(7)	–	(7)
Balance at 30th June, 2004	18,037	90,652	(3,830)	7,814	(78,878)	15,758	1,000	34,795

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. PRINCIPAL ACCOUNTING POLICIES

This unaudited condensed consolidated financial information has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

This condensed consolidated financial information should be read in conjunction with the 2004 annual financial statements.

The accounting policies and methods of computation used in the preparation of this condensed consolidated financial information are consistent with those used in the annual financial statements for the year ended 31st December, 2004 except that the Group has changed certain of its accounting policies following its adoption of new/revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods commencing on or after 1st January, 2005.

This interim financial information has been prepared in accordance with those HKFRS standards and interpretations issued and effective as at the time of preparing this Information (July 2005). The HKFRS standards and interpretations that will be applicable at 31st December, 2005, including those that will be applicable on an optional basis, are not known with certainty at the time of preparing this interim financial information.

The changes to the Group's accounting policies and the effect of adopting these new policies are set out in note 3 below.

2. BASIS OF PRESENTATION

For the six months ended 30th June, 2005, the Group has reported losses attributable to shareholders of approximately US$3,232,000 (US$790,000 for the six months ended 30th June, 2004). As at 30th June, 2005, the Group has net current liabilities of approximately US$4,873,000 (US$3,471,000 as at 31st December, 2004) and outstanding bank loans of approximately US$75,051,000 (US$77,874,000 as at 31st December, 2004) of which approximately US$16,211,000 (US$17,004,000 as at 31st December, 2004) is due for repayment within the next twelve months.

The Group continues its efforts to minimize capital expenditures, rationalise costs and enhance operating results. In the opinion of the directors, these measures 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 the balance sheet date. Accordingly, assuming the performance of the business is in line with the directors' expectation, the directors are satisfied that it is appropriate to prepare this condensed consolidated financial information on a going concern basis. This condensed consolidated financial information does 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. CHANGES IN ACCOUNTING POLICIES

(a) Effect of adopting new HKFRS

In 2005, the Group adopted the new/revised standards of HKAS below, which are relevant to its operations. The 2004 comparatives have been amended as required, in accordance with the relevant requirements.

– HKAS 1	Presentation of Financial Statements
– HKAS 2	Inventories
– HKAS 7	Cash Flow Statements
– HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
– HKAS 10	Events after the Balance Sheet Date
– HKAS 16	Property, Plant and Equipment
– HKAS 17	Leases
– HKAS 21	The Effects of Changes in Foreign Exchange Rates
– HKAS 23	Borrowing Costs
– HKAS 24	Related Party Disclosures
– HKAS 27	Consolidated and Separate Financial Statements
– HKAS 32	Financial Instruments: Disclosure and Presentation
– HKAS 33	Earnings per Share
– HKAS 36	Impairment of Assets
– HKAS 39	Financial Instruments: Recognition and Measurement
– HKAS Int 12	Scope of HKAS-Int 12 Consolidation – Special Purpose Entities
– HKAS Int 15	Operating leases – Incentives
– HKFRS 2	Share-based payments

3. CHANGES IN ACCOUNTING POLICIES *(Continued)*

(a) Effect of adopting new HKFRS *(Continued)*

The adoption of new/revised HKASs 1, 2, 7, 8, 10, 16, 21, 23, 24, 27, 32, 33, 36, 39, HKAS Ints 12 and 15 and HKFRS 2 did not result in substantial changes to the Group's accounting policies. In summary:

- HKAS 1 has affected the presentation of minority interest and other disclosures.
- HKASs 2, 7, 8, 10, 16, 23, 24, 27, 32, 33, 36, 39, HKAS Ints 12 and 15 and HKFRS 2 had no material effect on the Group's policies.
- HKAS 21 had no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard.

The adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of leasehold land from property, plant and equipment to operating leases. The up-front prepayments made for the leasehold land is expensed in the income statement on a straight-line basis over the period of the lease or where there is impairment, the impairment is expensed in the income statement. In prior years, the leasehold land was accounted for at cost less accumulated depreciation and accumulated impairment.

All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards. All standards adopted by the Group require retrospective application.

The adoption of revised HKAS 17 resulted in:

	As at	
	30th June, 2005	31st December, 2004
	US$'000	*US$'000*
Decrease in property, plant and equipment	**(3,036)**	(3,051)
Increase in leasehold land	**3,036**	3,051

(b) New Accounting Policies

The accounting policies used for the condensed consolidated financial information for the six months ended 30th June, 2005 are the same as those set out in note 3 to the 2004 annual financial statements except for the following:

3.1 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in US dollars, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Translation differences on non-monetary items, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation difference on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

3. CHANGES IN ACCOUNTING POLICIES *(Continued)*

(b) New Accounting Policies *(Continued)*

3.1 Foreign currency translation (Continued)

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognized as a separate component of equity.

3.2 Property, plant and equipment

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

3.3 Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

3.4 Trade and other receivables

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognized in the income statement.

3.5 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

3.6 Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognized as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognizes the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period.

4. SEGMENTAL INFORMATION – UNAUDITED

Primary segment by geographical locations of operations:

The segment results and other information for the six months ended 30th June, 2005 are as follows:

	For the six months ended 30th June, 2005					
	The PRC *US$'000*	**Hong Kong** *US$'000*	**Singapore** *US$'000*	**Malaysia** *US$'000*	**Elimination** *US$'000*	**Consolidated** *US$'000*
Turnover						
– External	**23,890**	**2,441**	**–**	**44,298**	**–**	**70,629**
– Inter-segment	**–**	**–**	**–**	**340**	**(340)**	**–**
Total turnover	**23,890**	**2,441**	**–**	**44,638**	**(340)**	**70,629**
Result						
Segment result	**(3,242)**	**38**	**(143)**	**2,468**		**(879)**
Unallocated corporate expenses						**(714)**
Operating loss						**(1,593)**
Finance costs						**(1,878)**
Taxation						**239**
Loss for the period						**(3,232)**
Other information						
Capital expenditures	**199**	**–**	**3**	**799**	**–**	**1,001**
Unallocated capital expenditures						**3**
						1,004
Depreciation	**801**	**3**	**189**	**3,778**	**–**	**4,771**
Amortization charge	**–**	**–**	**–**	**15**		**15**
						4,786

The segment assets and liabilities as at 30th June, 2005 are as follows:

	The PRC *US$'000*	**Hong Kong** *US$'000*	**Singapore** *US$'000*	**Malaysia** *US$'000*	**Elimination** *US$'000*	**Consolidated** *US$'000*
Assets						
Segment assets	**42,356**	**401**	**9,193**	**76,881**	**–**	**128,831**
Unallocated corporate assets						**4,435**
						133,266
Liabilities						
Segment liabilities	**11,803**	**8**	**467**	**15,796**	**–**	**28,074**
Unallocated corporate liabilities						**77,303**
						105,377

4. SEGMENTAL INFORMATION – UNAUDITED *(Continued)*

Primary segment by geographical locations of operations:

The segment results and other information for the six months ended 30th June, 2004 are as follows:

	For the six months ended 30th June, 2004					
	The PRC *US$'000*	Hong Kong *US$'000*	Singapore *US$'000*	Malaysia *US$'000*	Elimination *US$'000*	Consolidated *US$'000*
Turnover						
– External	25,148	1,095	–	49,393	–	75,636
– Inter-segment	–	–	–	117	(117)	–
Total turnover	25,148	1,095	–	49,510	(117)	75,636
Result						
Segment result	491	(42)	(117)	1,158		1,490
Unallocated corporate expenses						(588)
Operating profit						902
Finance costs						(1,692)
Taxation						–
Loss for the period						(790)
Other information						
Capital expenditures	93	–	3	360	–	456
Unallocated capital expenditures						–
						456
Depreciation	824	3	266	3,746	–	4,839
Amortization charge	–	–	–	15		15
						4,854

The segment assets and liabilities as at 31st December, 2004 are as follows:

	The PRC	Hong Kong	Singapore	Malaysia	Elimination	Consolidated
Assets						
Segment assets	42,448	400	9,727	81,778	–	134,353
Unallocated corporate assets						14,705
						149,058
Liabilities						
Segment liabilities	11,252	167	415	15,519	–	27,353
Unallocated corporate liabilities						90,545
						117,898

Secondary segment by products:

	For the six months ended 30th June,						**As at**	
	2005			2004			**30th June, 2005**	31st December, 2004
	Turnover *US$'000*	**Operating profit (loss)** *US$'000*	**Capital expenditures** *US$'000*	Turnover *US$'000*	Operating profit (loss) *US$'000*	Capital expenditures *US$'000*	**Assets** *US$'000*	Assets *US$'000*
Moisture resistant plywood	**12,101**	**334**	**257**	14,700	83	138	**24,077**	30,749
Structural	**17,315**	**(1,042)**	**167**	17,745	676	75	**31,818**	28,458
Flooring	**15,840**	**1,972**	**205**	19,680	1,013	101	**19,141**	21,712
Weather and boil proof plywood	**15,040**	**109**	**257**	13,583	30	94	**24,051**	21,538
Jamb and mouldings	**8,674**	**(423)**	**69**	8,672	321	34	**12,070**	14,610
Veneer	**1,201**	**19**	**21**	693	(27)	7	**1,919**	894
Others	**458**	**(41)**	**6**	563	37	4	**785**	997
Unallocated	**–**	**(2,521)**	**22**	–	(1,231)	3	**19,405**	30,100
Total	**70,629**	**(1,593)**	**1,004**	75,636	902	456	**133,266**	149,058

4. SEGMENTAL INFORMATION – UNAUDITED *(Continued)*

Turnover by geographical location of customers (by location where merchandise was delivered):–

	For the six months ended 30th June,	
	2005	2004
	US$'000	*US$'000*
Japan	**29,126**	28,396
The People's Republic of China	**17,383**	20,557
Europe	**8,329**	11,558
North America	**8,783**	9,075
South East Asia	**4,607**	3,919
Korea	**1,002**	207
Others	**1,399**	1,924
Total Turnover	**70,629**	75,636

5. LOSS BEFORE TAXATION – UNAUDITED

Loss before taxation was determined after charging and crediting the following:

	For the six months ended 30th June,	
	2005	2004
	US$'000	*US$'000*
After charging:–		
Depreciation of property, plant and equipment	**4,771**	4,839
Amortization charge of leasehold land	**15**	15
Provision for doubtful receivables	**592**	–
Interest expense on		
– bank overdrafts and loans	**1,729**	1,529
– finance lease	**11**	15
– others	**138**	148
Staff costs:		
– wages and salaries	**1,589**	1,545
– pension costs	**177**	183
After crediting:–		
Rental income	**73**	71

6. TAXATION – UNAUDITED

(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 period ended 30th June, 2005. The applicable income tax rate of Manuply is 28% (2004 – 28%). As at 30th June, 2005, Manuply had aggregate unutilised tax allowances of approximately US$51,995,000 (US$51,715,000 as at 31st December, 2004) and tax losses of approximately US$465,000 (US$466,000 as at 31st December, 2004).

(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 are still in cumulative losses position as at 30th June, 2005.

6. TAXATION – UNAUDITED *(Continued)*

(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 to the consolidated profit and loss account represents:

	For the six months ended 30th June,	
	2005	2004
	US$'000	*US$'000*
Deferred taxation relating to the origination and reversal of temporary differences	**239**	–

7. LOSS PER SHARE – UNAUDITED

The calculation of basic loss per share is based on the consolidated loss attributable to shareholders of approximately US$3,232,000 (2004 – US$790,000) and on the weighted average number of 5,580,897,243 shares (2004 – 5,580,897,243 shares) in issue during the period.

No diluted loss per share for the six months ended 30th June, 2005 and 30th June, 2004 are presented as the dilutive potential ordinary shares were anti-dilutive.

8. CAPITAL EXPENDITURE – UNAUDITED

	Property, plant and equipment	**Leasehold land**
	US$'000	*US$'000*
Opening net book amount as at 1st January, 2005	88,391	3,051
Additions	1,004	–
Exchange differences	(270)	–
Disposals	(60)	–
Depreciation/Amortization charge	(4,771)	(15)
Closing net book amount as at 30th June, 2005	84,294	3,036
Opening net book amount as at 1st January, 2004	100,277	3,082
Additions	456	–
Exchange differences	(46)	–
Disposals	–	–
Depreciation/Amortization charge	(4,839)	(15)
Closing net book amount as at 30th June, 2004	95,848	3,067
Additions	988	–
Exchange differences	449	–
Disposals	(112)	–
Depreciation/Amortization charge	(4,888)	(16)
Impairment charge	(3,894)	–
Closing net book amount as at 31st December, 2004	88,391	3,051

9. DEFERRED TAXATION – UNAUDITED

As at 31st December, 2004, Manuply recognized deferred tax assets and deferred tax liabilities of approximately US$14.6 million and US$10.5 million respectively. These amounts had been included in the consolidated balance sheet of the Group as separate components without offset because the right to set off current tax liabilities upon reversal of the temporary differences in connection with the relevant deferred tax assets of the subsidiary might not be enforceable until certain deferred tax liabilities were fully reversed. During the current period, it is considered that the relevant deferred tax liabilities are expected to be fully reversed in the foreseeable future and it is certain that the set off of the deferred tax assets and liabilities is enforceable. Accordingly, these deferred tax assets and liabilities have been presented on a net basis on the consolidated balance sheet.

Deferred tax assets and liabilities of Manuply, prior to offsetting of balances within the same taxation jurisdiction are as follows:

	As at 30th June, 2005
	US$'000
Deferred tax assets	**14,688**
Deferred tax liabilities	**10,312**
Net balance	**4,376**

10. TRADE RECEIVABLES – UNAUDITED

The aging analysis of trade receivables is as follows:

	30th June, 2005 *US$'000*	31st December, 2004 *US$'000*
0-30 days	**9,645**	9,845
31-60 days	**2,798**	2,823
61-90 days	**585**	1,026
91-180 days	**215**	1,371
181-360 days	**1,009**	169
Over 360 days	**3,862**	4,312
	18,114	19,546
Less: Provision for doubtful receivables	**(3,750)**	(3,170)
	14,364	16,376

The Group offers credit term 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.

Certain subsidiaries of the Group transferred receivable balances amounting to approximately US$1,320,000 (US$2,662,000 as at 31st December, 2004) to banks in exchange for cash. The transactions have been accounted for as a collateralized borrowing (Note 12).

11. TRADE PAYABLES – UNAUDITED

The aging analysis of trade payables is as follows:

	30th June, 2005 *US$'000*	31st December, 2004 *US$'000*
0-30 days	**7,560**	8,260
31-60 days	**4,068**	4,301
61-90 days	**2,285**	3,117
91-180 days	**1,605**	598
181-360 days	**130**	141
Over 360 days	**1,125**	960
	16,773	17,377

12. BORROWINGS – UNAUDITED

	30th June, 2005 *US$'000*	31st December, 2004 *US$'000*
Long term borrowings		
Bank borrowings repayable within a period		
– not exceeding one year	**2,839**	2,196
– more than one year but not exceeding two years	**4,139**	4,103
– more than two years but not exceeding five years	**15,486**	16,197
– beyond five years	**39,215**	40,570
	61,679	63,066
Less: Amount due within one year included in current liabilities	**(2,839)**	(2,196)
	58,840	60,870
Short term borrowings		
Banker's acceptance	**4,659**	5,701
Bank borrowings	**7,393**	6,445
Collateralized borrowings *(Note 10)*	**1,320**	2,662
	13,372	14,808

The long term bank loans bore interest at commercial banking rates ranging from 3.75% to 8.00% (2004 – 3.17% to 8.00%) per annum and were secured by pledges of certain of the Group's assets, corporate guarantees given by the Company, and personal guarantees given by a Director of the Company.

12. BORROWINGS – UNAUDITED *(Continued)*

The short term bank loans bore interest at commercial banking rates ranging from 3.75% to 7.25% (2004 – 2.19% to 6.90%) per annum and were secured by pledges of certain of the Group's assets, corporate guarantees given by the Company, and personal guarantees given by a Director of the Company.

As at 30th June, 2005, the carrying amounts of bank borrowings approximate their fair value.

As at 30th June, 2005, the Group has unutilised banking facilities of approximately US$9,092,000 (31st December, 2004 – US$7,700,000).

13. SHARE CAPITAL

Details of the Company's share capital are as follows:

	30th June, 2005		31st December, 2004	
	Number of shares	**Nominal value**	Number of shares	Nominal value
	'000	***US$'000***	*'000*	*US$'000*
Authorised – shares of HK$0.025 each	**8,000,000**	**25,806**	8,000,000	25,806
Issued and fully paid or credited as fully paid – shares of HK$0.025 each	**5,580,897**	**18,037**	5,580,897	18,037

14. RELATED PARTY TRANSACTIONS

A related party is a company in which one or more of the directors or shareholders of the Group have direct or indirect beneficial interests in the company or are in a position to exercise significant influence on the company. Parties are also considered to be related if they are subject to common control or common significant influence. Significant transactions and balances with related parties during the period are summarised below:

Certain bank loans of approximately US$64,178,000 (US$65,850,000 as at 31st December, 2004) are secured by personal guarantees given by a Director of the Company.

15. COMMITMENTS – UNAUDITED

a. Operating lease commitments

As at 30th June, 2005, the Group had total future aggregate minimum lease payments in respect of land and building under non-cancellable operating lease as follows:

	30th June, 2005	31st December, 2004
	US$'000	*US$'000*
Payable during the following period:		
– within one year	**441**	199
– within two to five years	**460**	527
– beyond five years	**834**	867
	1,735	1,593

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.

	30th June, 2005	31st December, 2004
	US$'000	*US$'000*
Payable during the following period:		
– within one year	**500**	500
– within two to five years	**2,065**	2,050
– beyond five years	**2,673**	2,938
	5,238	5,488

16. COMPARATIVE FIGURES

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

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend.

BUSINESS REVIEW

Compared to the same period last year and the second half of last year, the global market has weakened. The Group's manufacturing business faltered as economic uncertainties brought about by unstable fuel oil prices, rising US federal rates, the threat on the US Dollar, trade disputes and widening trade imbalances compelled buyers to lower their inventory levels. For the period ended 30th June, 2005, the Group's turnover was US$70.6 million, down 6.62% as compared to US$75.6 million in the same period last year.

Raised fuel oil prices leading to heightened shipping, electricity and glue costs, and tightened restrictions on logging had resulted in a shrinking in log supply and a subsequent raise in log costs. During the period under review, log prices had increased over 10% from the end of last year as a result of constriction in supply and the unabating overseas demand for tropical hardwood. Stringent enforcement on log restrictions and "green-labelling" practices further reinforced the global excess in demand over supply volume. Consequently, profit margin was down 3.66% from last year's.

In view of the volatility of log, glue, crude oil prices and the constantly shifting market demands and product mix, the Group could only confirmed orders and deliveries for its customers one month in advance. As compared to the same period last year, incoming orders had slowed down.

As a result, the Group's net loss attributable to shareholders increased to US$3.2 million. Nevertheless, as a response to heightened material costs and constricted supplies, the Group strived to consolidate its current resources, streamline production processes and facilities, optimize the product mix and costs, and improve on product quality. Current recovery rate was maintained at last year's 53.5%.

The Group's product mix includes 2.4 mm plywood, MR plywood, WBP plywood, structural plywood, LVL, LVS, LVB, flooring, mouldings and building materials. Flooring products had the highest profit margin. Compared to last year, the sales of colour flooring products had increased in terms of value. During the period under review, the Group's plants ran at slightly over 90% capacity.

Unfavorable market currents had also impacted on the PRC flooring market. Flooring demand in the nation had softened as suppliers ran down their inventory build-up in the second half of last year to meet summer orders. Globally speaking, however, PRC still contributed to the highest profit margin for the Group's flooring products. The Group expected the PRC to remain as one of the highest-growth markets for plywood based flooring products, with robust trade growth and as per capita GDP in major cities continues to grow and sports and housing facilities are being constructed for the 2008 Summer Olympic Games.

The pace of US market recovery has been hampered by the widening of the external trade and domestic budget deficits, and the continuously rising mortgage interest rates. This has dampened the demand for housing built and thus the demand for processed timber products. Compounded by the aggressive competition from South America, the Group's performance in the US faltered as compared to same period last year. In Europe, the economic performance of the EU remained unsatisfactory with several European countries, including Italy, Portugal and Greece troubled by persisting budget deficits and the trade competitiveness backlash on the Euro hike over the last 2 years. This contributed to a drop in turnover from the region. While Japan remained one of the Group's major markets, the weakening of the Japanese Yen resulted in a slowing-down of domestic demand and hence a drop in regional turnover. New markets including the Southeast Asian region and the Middle East had yet to contribute significantly to the Group's performance. Nevertheless, the Group will continue to enhance its position and customer relationships in these markets.

The Group focused on strengthening its current strategic alliances with partners. The marketing information collected through the distribution and sales businesses enabled the Group to execute various action plans to counteract market pressures and seize opportunities to gain a competitive edge against market opponents.

OUTLOOK

Log prices are expected to remain high as the imbalance between global demand and supply will continue in the second half of 2005. As a coping measure, the Group will continue its usual practice of stocking more logs before the start of the monsoon rainy season, at the same time endeavor to minimize waste and improve on production processes, product structures, and product mix to increase log recovery rates.

In the long term, the Group will continue to focus on the PRC market to capitalize on its robust economic growth. The Group will also maintain its momentum on the Japan market, where consumption for wood-based products is high and the Group has built up excellent relationships with major trading houses who are willing to pay premium prices for quality products.

The Group will continue to strengthen its trade relationships with existing strategic business partners in traditional markets and focus on current market or product developments. It will seek to optimize its existing product mix to penetrate existing markets while continuing to explore new markets.

The Group will build on the expertise and the sophisticated production and technical capabilities of the existing senior management team. It will also seek to empower young, talented staff to take up leadership roles in managing the day-to-day operations of the plants. Such empowerment will encourage the flow of innovative ideas which would enable the Group to maintain its leading position in the industry and, in turn, guarantee satisfactory returns for its shareholders.

FINANCIAL REVIEW

Liquidity and financial resources

As at 30th June, 2005, net current liabilities was approximately US$4.9 million, compared to US$3.5 million as at 31st December, 2004, representing an increase in net current liabilities of US$1.4 million.

Capital structure

During the period ended 30th June, 2005, there was no material change in the Group's capital structure.

Significant investments, acquisitions and disposals

The Group has no significant investments and material acquisitions and disposal of subsidiaries and associates during the six months ended 30th June, 2005.

Employees

As at 30th June, 2005, the Group had 5,102 staff, 3,577 of whom worked at the manufacturing plant in Bintulu, Sarawak, Malaysia and 1,477 at facilities in Dalian and Changchun, the PRC. In-house training programmes were provided for staff to enhance skills and job knowledge. Management will continue to foster close co-operation with the staff.

Details of charges on assets

Bank loans and other banking facilities of the Group were secured by pledges of certain property, plant and equipment and leasehold land with a net book value of approximately US$76.9 million, floating charges on certain inventories of approximately US$11.0 million, trade receivables of approximately US$2.0 million, bank balances of approximately US$0.4 million, other assets of approximately US$1.4 million, corporate guarantees given by the Company and personal guarantees given by a director of the Company.

Future plans for material investment or capital assets

The Group will continue to streamline its business and minimize capital expenditures and has no plan for material investment in the near future.

Gearing ratio

The net assets of the Group as at 30th June, 2005 was approximately US$27.9 million, compared to US$31.2 million as at 31st December, 2004. Total bank borrowings of the Group was approximately US$75.1 million and the gearing ratio (total bank borrowing to total net assets) was accordingly 269% comparing to 250% as at 31st December, 2004.

Foreign exchange exposures

Major functional currencies of the Group include United States Dollars, Singapore Dollars, Malaysian Ringgits and Renminbi. Due to the delink of Malaysian Ringgits and Renminbi with United States Dollars recently, the Group is expected to face with greater foreign currency exposure. Management will arrange the necessary hedging where costs and benefits are justified.

Contingent liabilities

As at 30th June, 2005, the Group had no contingent liabilities.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 30th June, 2005, the interests of the Directors and chief executive of the Company in the shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited ("the Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executive of the Company were deemed or taken to have under such provisions of the SFO) or which were required to be and were recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:–

Interests and short positions in the ordinary shares with par value of HK$0.025 each

Name of Director	Capacity	Nature of Interests	Number of Shares Held	Percentage of shareholding
Budiono Widodo	Beneficial owner	Personal interest	248,276,000	39.83%
	* Interest of a controlled corporation	Corporate interest	1,974,720,000	
Yu Chien Te	Beneficial owner	Personal interest	58,873,200	1.05%

* *As at 30th June, 2005, SMI International Limited ("SIL") held 1,974,720,000 shares (2004 – 1,974,720,000 shares) of the Company. Mr. Budiono Widodo, a Director of the Company, held 39.82% of the outstanding shares of SIL. The interest of Mr. Budiono Widodo in the issued shares of SIL was, accordingly, corporate interest in the Company as described in Practice Note 5 to the Rules Governing the Listing Rules.*

Save as disclosed above and the section "Arrangement to purchase shares and debentures" below, the Company had no notice of any interest required to be recorded under Section 352 of the SFO as at 30th June, 2005.

ARRANGEMENT TO PURCHASE SHARES AND DEBENTURES

The Company has a share option scheme, under which it may grant options to employees (including executive directors) of the Group to subscribe for shares in the Company. The share options granted and held by the Company's Directors as at 30th June, 2005 were as follows:

				Number of shares to be issued under options granted under share option scheme				
Name	Date of Grant	Exercise Period	Subscription price per share	Beginning of period	Granted during the period	Exercised during the period	Cancelled during the period	End of period
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
Continuous Contract Employees	26/8/1999	14/3/2000 to 13/3/2010	HK$0.129	16,500,000	–	–	–	16,500,000
Others	26/8/1999	14/3/2000 to 13/3/2010	HK$0.129	31,000,000	–	–	(31,000,000)	–
				176,300,000	–	–	(31,000,000)	145,300,000

Save as disclosed above, at no time during the period was the Company or any of its subsidiaries or its holding company a party to any arrangements to enable any of the Company's Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and none of the directors, their spouses or their children under the age of 18, had any right to subscribe for the securities of the Group, or had exercised any such right during the period.

SUBSTANTIAL SHAREHOLDERS

As at 30th June, 2005, the persons interested in 5% or more of the issued share capital of the Company as recorded in the register kept by the Company pursuant to section 336 of the SFO were as follows:

Long position in ordinary shares of the Company:

Name	Capacity and nature of interest	Number of shares held	Percentage of the Company's issued share capital
Mr. Budiono Widodo	Beneficial owner and held by controlled corporation	2,222,996,000	39.83%
SMI International Limited*	Beneficial owner	1,974,720,000	35.38%
Delta Cempaka Pte. Ltd**	Beneficial owner	449,245,000	8.05%
Mr. Simon Eddy	Held by controlled corporation	449,245,000	8.05%
Mr. Ng Soat Hong	Held by controlled corporation	449,245,000	8.05%
Mr. Tjong Jauw Sing	Beneficial owner	421,905,593	7.56%

* *SMI International Limited is owned by Mr. Budiono Widodo for 39.82% and its interest in the issued share capital of the Company is included in the interests held by Mr. Budiono Widodo.*

** *Delta Cempaka Pte. Limited is owned by Mr. Simon Eddy and Mr. Ng Soat Hong each for 50% and its interest in the issued share capital of the Company is included in the interests held by Mr. Simon Eddy and Mr. Ng Soat Hong.*

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30th June, 2005, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

AUDIT COMMITTEE

The Board of Directors has established an Audit Committee in year 1998 and has formulated its written terms of reference in accordance with the requirements of The Stock Exchange of Hong Kong Limited. The Audit Committee comprises three independent non-executive Directors.

The unaudited condensed consolidated financial information for the six months ended 30th June, 2005 has been reviewed by the Audit Committee of the Company.

CORPORATE GOVERNANCE

The Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30th June, 2005, with deviations from code provisions A.1.3, A.2.1, C.3.3 and E.1.2.

Code provision A.1.3

Under this code provision, notice of at least 14 days should be given of a regular board meeting to give all directors an opportunity to attend. During the six months ended 30th June, 2005, two regular board meetings were held but one of which was convened by a notice of less than 14 days. Nevertheless, presence of all Directors of the Company was secured for this meeting.

Code provision A.2.1

Under code provision A.2.1, the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual.

Mr. Budiono Widodo and Mr. Sardjono Widodo are father and son who act as the Chairman and Managing Director of the Company respectively. In addition to his duties as the Chairman of the Company, Mr. Budiono Widodo is also responsible for the strategic planning and overseeing certain aspects of the Group's operation. Such duties overlap with those of the chief executive officer, namely Mr. Sardjono Widodo. Nevertheless, the Board considers that this will not impair the balance of power and authority. In addition, the rich experience of Mr. Budiono Widodo in plywood industry does contribute materially to the Group's operation.

Code provision C.3.3

Under code provision C.3.3, the terms of reference of the audit committee should include certain minimum duties.

A specific written terms of reference containing at least the duties as specified in code provision C.3.3 was adopted by the Company on 14th September, 2005.

Code provision E.1.2

Under code provision E.1.2, the chairman of the board should attend the annual general meeting.

Due to certain urgent matters to be attended by the Chairman, Mr. Budiono Widodo did not attend the Company's 2005 annual general meeting. However, Mr. Budiono Widodo arranged Mr. Sardjono Widodo and Mr. Liao Yun Kuang, Managing Director and President of the Company respectively attending the Company's 2005 annual general meeting to answer questions raised by shareholders.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' securities transactions. Having made specific enquiry to all existing Directors, all Directors confirmed that they had complied with the required standard set out in the Model Code during the six months ended 30th June, 2005.

By Order of the Board
Budiono Widodo
Chairman

Hong Kong, 14th September, 2005