Pacific Plywood Holdings Limited

太平洋實業控股有限公司

Stock Code: 0767

2008 Annual Report

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CORPORATE INFORMATION

Executive Directors
Dr. WIDODO Budiono, *Chairman*
Mr. WIDODO Sardjono, *Managing Director*
Mr. LIAO Yun Kuang, *President*
Mr. YU Chien Te

Non-Executive Directors
Mr. USMAN Marzuki
Mr. WIDJAJA Kusnadi
Mr. SIAH Chong Huat
Mr. HALIM Sudjono
Mr. KUSNADI Pipin

Company Secretary
Mr. LAU Kin Wah, CPA

Audit Committee Members
Mr. USMAN Marzuki, *Chairman*
Mr. WIDJAJA Kusnadi
Mr. SIAH Chong Huat

Remuneration Committee Members
Mr. LIAO Yun Kuang, *Chairman*
Mr. USMAN Marzuki
Mr. WIDJAJA Kusnadi

Auditor
PricewaterhouseCoopers
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Prince's Building
Central
Hong Kong

Principal Bankers
Malayan Banking Berhad
United Overseas Bank Limited

Share Registrar And Transfer Office
Computershare Hong Kong Investor Services Limited
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Bermuda

Principal Office
Room 602, Yue Xiu Building,
160 – 174 Lockhart Road
Wanchai
Hong Kong

CHAIRMAN'S STATEMENT

Budiono Widodo
Chairman

The global economy in 2008 had contracted substantially as financial institutions had been hit by the unfolding slump in the US housing market, caused mainly by the unending sub-prime mortgage crisis. This financial tsunami led to massive workers lay-offs especially in the banking and manufacturing sector for most exporting countries. Global trade volume had shrunk drastically and the credit squeeze had affected the confidence level amongst banks and trade financing had been severely curtailed. The plywood industry was not spared and had faced severe cost, pricing and demand pressures. On the back of weakening exports and growing budget deficits, most countries currencies had weakened against the US dollar, with some countries already in recession or will be in recession.

The Group's turnover reduced to US$94.7 million for 2008. This was mainly attributed to the prevailing weak global economy which had affected the demand for our products. Our customers also had great difficulty in obtaining trade financing as most banks had reduced their lending due to the implosion of the credit markets around the world. Our China operation was severely affected and had ceased business operation towards the end of the year. This had resulted in a substantial loss of US$36.5 million to the Group, resulting mainly from provisions made for impairment loss on assets, doubtful debts and writing down of stocks to net realizable value. The other operating companies in the Group also suffered losses from lower gross profit margins attributable to continuous hike in prices of logs, lumber and crude oil related products and services for the most part of 2008.

Operationally, we are improving on our processes to increase employee's productivity and concentrating on producing the right product mix on a timely basis and to minimize wastages. Our operating costs are being rationalized and streamlined and the management is micro-managing its operating cashflow to achieve optimum utilization. We will continue to focus on our traditional products, which include moisture resistant plywood, weather and boil proof plywood and flooring products.

CHAIRMAN'S STATEMENT

Looking ahead, we will maintain and improve further our relations with existing and new log suppliers to ensure a steady stream of uninterrupted supply of good quality logs. The Group will also focus on improving its product quality in order to meet customers' demands and ensure timely delivery to our customers. Our marketing will push for more shipments of high value products like 2.4 mm plywood and jumbo-size plywood in order to create a niche market for ourselves in existing markets and also the development of new businesses in new emerging markets. The Group will also continue to build its strengths on its management team, in particular, the technical and product knowledge and skills of its team members. Key management beliefs like accountability, empowerment, innovation, efficiency, quality and timeliness will be emphasized to all employees.

On behalf of the Board, I would like to express my gratitude to the management and staff for their dedication and contribution during this difficult year. I would also like to thank all shareholders, investors, customers and suppliers for their continuing support and confidence in the Group.

Budiono Widodo
Chairman
Hong Kong, 16th April, 2009

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Manufacturing Business

During the year under review, log prices had increased by an average of 20% resulting from the seasonal monsoon and the prolonged rainy season till June 2008. This had restricted the harvesting of logs and its supplies to plywood manufacturers like us. Towards the second half of 2008, log and lumber prices were volatile in view of worsening global crisis which disrupted the demand and supply of logs. Suppliers of logs reduced their harvest in line with the fluctuating demand from its customers whereby the adverse impact to all plywood manufacturers differed in magnitude. Prices of crude oil related products and services also increased for the most part of 2008. This had increased the Group's direct costs, especially its freight, utility and glue costs. We had to apply stringent cost control measures to help mitigate the upward costs pressures. The Group focused more on diversification of its product mix and market mix in order to help improve its profit margins.

The operating environment for our China ("the PRC") plant had become very difficult as a result of the global financial turmoil. A tight raw materials supply persisted as the export rebates in the PRC remained low at 5% whilst the Russian government had increased its log export tax to 25%. With rising prices for the other raw materials, our PRC plant had difficulty in registering profits, and thus, we had discontinued our PRC plant business towards the end of 2008.

Despite the strain of the market turmoil, our Malaysian plant had been running at near 70% capacity. With enhanced and improved production processes, we had managed to reduce our cutting log wastages and hence, our recovery rate rose to more than 50%, which exceeded the industry norm. This also enabled us to lower our direct material costs and optimize our product and capacity mix. Correspondingly, our factory workers productivity had also increased. We had also employed different types, grades and sizes of wood in our production to maximize production yield and lowering of material costs. Weather and boil proof plywood and moisture resistant plywood continued to form the bulk of the plant's total production. New products like 2.4 mm plywood and jumbo-size plywood are also produced for our new businesses in existing and emerging markets.

Market overview

Turnover for the Group for 2008 had reduced by 22.3%, with shipments to Europe and South East Asia comprising 50.4% as compared to 33.1% in 2007. To achieve a more balanced market portfolio, there was less reliance on any one market. Instead, the Group had explored and developed new businesses in emerging markets. Shipments to Japan and Korea comprised 25.6% of 2008 turnover as compared to 34.1% in the previous year. The Japanese market remained soft as their housing market remained stagnant due to oversupply of plywood products in previous years coupled with lower demand for new houses. Our export sales to the Korean market of weather and boil proof plywood and structural plywood had not also picked up, comprising of 9.44% of 2008 turnover as compared to 12.91% in 2007. Sales to the US market had worsened to 5.6% of total annual sales as a result of the depressed housing market over there. We do not expect an immediate recovery in the near future until and unless the sub-prime mortgage crisis is eventually resolved. The flooring products business in the PRC had stagnated due to excessive stocks. Thus, our sales to PRC market remained flat, ie 13.6% in 2008 as compared to 13.9% in 2007.

The prevailing global financial turmoil had led to mounting business failures and slowdown in most countries. Global trade volume had shrunk drastically with most of our customers holding back on their orders. Our customers also had great difficulty in obtaining trade financing as a result of the global credit squeeze. Nevertheless, the Group is committed to understanding the customers needs and market trends, thus assisting in the development of new and enhanced products like 2.4 mm plywood and jumbo-size plywood.

MANAGEMENT DISCUSSION AND ANALYSIS

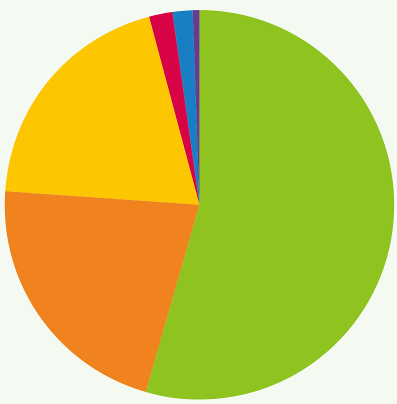
Outlook

Looking ahead, we expect market conditions to remain soft for 2009 with a possible gradual recovery towards the end of 2009. Global economic recovery will take some time and the Group will consolidate its capacity and resources to weather the difficult road ahead towards sustaining our business. Besides optimizing our productivity and product mix, we will continuously improve our product quality, cost effectiveness and also our customer service.

The Group expects the logging operations of its associated company to contribute positively to its bottom line. We will continue our focus on traditional markets like Japan, the PRC and Europe whilst emphasis will also be placed on emerging markets such as Philippines and Middle East, to secure more new business. The Group will streamline its business workflow and operations to achieve optimal results for its existing and new customers.

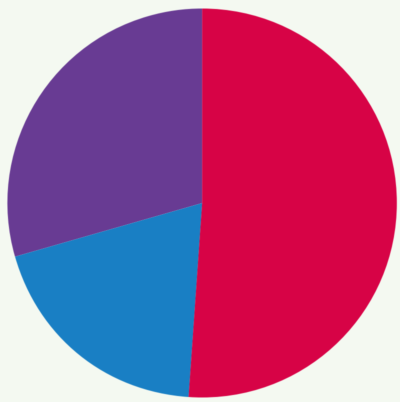
2008 Sales By Product Categories

Continuing operations



- 54.7% Weather and boil proof plywood
- 21.5% Flooring
- 19.7% Moisture resistant plywood
- 2.1% Jamb and Mouldings
- 1.5% Structural
- 0.5% Others

Discontinued operation



- 51.2% Jamb and mouldings
- 29.3% Others
- 19.5% Structural

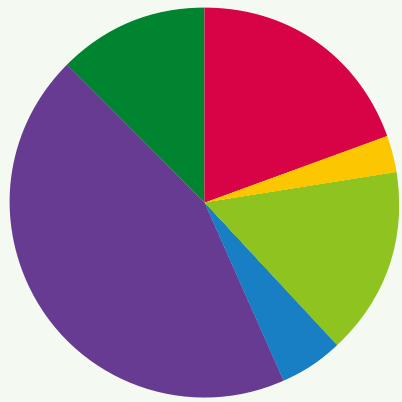
MANAGEMENT DISCUSSION AND ANALYSIS

2008 Sales By Geographical Areas*

Continuing operations

- 26.3% South East Asia
- 25.1% Europe
- 17.6% The People's Republic of China
- 15.8% Japan
- 8.3% Korea
- 3.5% Others
- 3.4% North America

Discontinued operation



- 44.0% North America
- 19.7% Europe
- 15.6% Japan
- 12.4% Others
- 5.5% Korea
- 2.8% The People's Republic of China

* Sales and distribution of merchandise by geographical areas is determined on the basis of the location to where the merchandise is delivered.

Financial Review

Liquidity and financial resources

As at 31st December, 2008, the Group recorded net current liabilities of approximately US$22.7 million, compared to net current assets of approximately US$1.6 million as at 31st December, 2007.

The substantial reduction in net current assets was attributable to the deteriorating performance of the PRC division, provision made in respect of a major customer of the PRC division and the poor financial performance of the Group, especially for the second half of 2008, resulting primarily from the worsening global financial crisis.

Capital structure

During the year ended 31st December, 2008, there was no material change to the Group's capital structure.

Significant investments, acquisitions and disposals

In April 2008, the Group completed approximately one-fourth of its acquisition of 49% interest in 40,000 acres logging concessions in Malaysia. The acquisition of the remaining three-fourth of logging concessions which was supposed to be completed by April 2009 did not materialize as the progress on procurement of logging concessions was slow, which was hampered by the political uncertainty in Malaysia, coupled with the continued worsening of the global financial crisis. However, the Group is determined to secure a more steady supply of logs in the future and had entered into a supplemental agreement to extend the completion date to 14th April, 2010.

Employees

As at 31st December, 2008, the Group had 2,549 staff, 2,515 of whom worked at the manufacturing plant in Bintulu, Sarawak, Malaysia. 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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$60 million, floating charges on certain inventories of approximately US$13 million, trade receivables of approximately US$0.2 million, bank balances of approximately US$0.6 million, other assets of approximately US$0.7 million, corporate guarantees given by the Company and personal guarantees given by two Directors of the Company.

Future plans for material investment or capital assets

Except for the completion of the acquisition of 49% interest in certain 30,000 acres concessions, the Group has no plan for material investment in the near future.

Gearing ratio

The gearing ratios at 31st December, 2008 and 2007 were as follows:

	2008 US$'000	2007 US$'000
Total borrowings	**67,330**	69,216
Less: Cash and cash equivalents	**(1,673)**	(5,744)
Net debt	**65,657**	63,472
Total equity	**8**	36,520
Total capital	**65,665**	99,992
Gearing ratio (net debt to total capital)	**100%**	63%

The increase in the gearing ratio during 2008 resulted primarily from the significant losses suffered by the Group.

Foreign exchange exposures

The Group has operations in Malaysia and Singapore with significant number of the transactions conducted in Malaysian Ringgit and Singapore dollars. While the functional and presentation currency of the Company is United States dollars, the Group is exposed to foreign exchange risk primarily from these currencies. The Group has not used any forward contracts to hedge such exchange risk because it is considered as not cost-effective.

Contingent liabilities

Certain employees applied for outstanding wages and compensation payments to the local labour arbitration committee in Dalian, the PRC and an arbitration order was issued in the absence of a representative from Dalian Global Wood Products Company Limited ("Dalian Global"). As there was no Dalian Global's management personnel in the PRC, the execution of this judgment was pending as at 31st December, 2008 and certain contingent liabilities might arise therefrom. Based on all relevant information to the Group to date, the management has made the necessary accruals and accordingly, it is not anticipated that any material liabilities will arise from the contingent liabilities other than those Dalian Global has provided for.

Sardjono Widodo
Managing Director
Hong Kong, 16th April, 2009

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Dr. Budiono Widodo, aged 65, is a founder and the Chairman of the Group and is responsible for strategic development of the Group. He is also a director of a number of subsidiaries of the Company, including Ankan Holdings Limited, Ankan (China) Holdings Limited, Daunting Services Limited, Georich Trading Limited, Manuply Wood Industries (S) Sdn. Bhd., Pacific Plywood Limited, SMI Global Corporation, Sevier Pacific Limited, Sino Realm Investments Limited and SMI Management & Co., Pte. Limited. He started in the forestry business in Indonesia in 1979 and has over 30 years of experience in the timber industry, starting as a log exporter and then becoming a plywood manufacturer and trader. Apart from the plywood business, he is also engaged in other industries including palm oil, shipping, mining, property and hotels.

Mr. Sardjono Widodo, aged 41, is the Managing Director of the Group and a son of Dr. Budiono Widodo. He is also a director of each of the subsidiaries of the Company except Glowing Schemes Sdn. Bhd. and Dalian Global Wood Products Co., Ltd.. He holds a Diploma in Mechanical Engineering and has been in the wood industry for about 20 years.

Mr. Liao Yun Kuang, aged 56, is the President of the Group. He is also a director of each of the subsidiaries of the Company except Dalian Global Wood Products Co., Ltd.. He holds a Bachelor Degree in Business Administration from Tam Kang University in Taiwan. Prior to joining the timber industry, Mr. Liao has worked for two large conglomerates in Taiwan and has more than 25 years experience in general management.

Mr. Yu Chien Te, aged 55, is a Vice President of the Group. He graduated in Electrical Engineering in Taiwan and has more than 20 years of experience in the plywood and wood-related industry.

Non-executive Directors

Mr. Marzuki Usman, aged 66, holds a Master Degree in Economics from University of Gajah Mada as well as Duke University in Durham, North Carolina, USA. He was the Minister of Tourism (Arts and Culture) in Indonesia from May 1998 to October 1999. From May 1999, he also assumed the job as Minister for Investment and head of Agency for Investment Coordination Board until October 1999.

Mr. Pipin Kusnadi, aged 63, is the commissioner for over 10 companies in Jakarta and has been in the wood industry since 1991.

Mr. Kusnadi Widjaja, aged 54, is a certified member of the Capital Market Professional Standards in Jakarta, Indonesia. He has more than 15 years of experience in the field of finance and securities trading and investment management. He is currently a Special Assistant to the Chief Executive Office of an Indonesian group of companies with extensive business interests in logging, palm oil plantation and chemical product.

Mr. Sudjono Halim, aged 46, a son-in-law of Dr. Budiono Widodo, graduated with a Master Degree in Business Administration from the California State University in Los Angeles, USA. He also holds a Bachelor Degree in Electronic and Electrical Engineering from the University of Southern California in Los Angeles, USA. He has more than 15 years business experience in corporate financing, securities, trading, investment and manufacturing in Indonesia and Singapore.

Mr. Siah Chong Huat, aged 47, holds a Bachelor Degree in Science (Economics) specializing in Management Studies from the University of London. He also holds a Diploma in Building Services Engineering from Ngee Ann Polytechnic, Singapore. He has over 20 years of business experience in building materials and building-related industries where he has held executive positions in various companies operating in such industries.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Company Secretary

Mr. Lau Kin Wah, aged 43, is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. He holds a Bachelor Degree in Business Administration from The Chinese University of Hong Kong. He joined the Group on 1st October, 1998.

Management and Senior Staff

Mr. Lai Soon Peng, aged 46, is the Chief Financial Officer of the Group. He is a fellow member of the Association of Chartered Certified Accountants and a member of the Malaysia Institute of Accountants. He started his career with an international audit firm for about 5 years. He has over 10 years of experience in accounting and administration in the finance industry in Malaysia. Prior to joining the Group on 16th June, 2008, he was a director and the financial controller of a company in Hong Kong, specializing in the manufacture of mobile phones.

Mr. Ho Chee Mun, aged 50, is the Vice President of the Group. He has been in the plywood industry since 1979. He holds an honours degree in commerce majoring in marketing and a diploma in administrative management from the Institute of Administrative Management in the United Kingdom. He first joined the Group on 1st April, 1993. In 2002, he left the Group to set up his own plywood trading and consultancy company. During this period, he had consulted various plywood factories in the region and also attained a Master degree in International Business from an Australian University. He rejoined the Group on 15th August, 2007.

Mr. Su Wen Chang, aged 55, is a Vice President of the Group. He graduated in electrical engineering in Taiwan. Prior to joining the Group in 1992, he worked in the timber industry in Taiwan, Singapore and Indonesia for nearly 20 years. Mr. Su joined the Group on 16th March, 1992.

Mr. Goh Lian Seng, aged 44, is the Chief Planning Officer of the Group. He graduated from University of Malaya, Malaysia in April 1990 majoring in accounting. He also holds a Master Degree in Business Administration from University of Birmingham, United Kingdom in 2001. He is also a member of Malaysia Institute of Accountants and Malaysia Institute of Certified Public Accountants. He joined one of the top accounting firms as an auditor for six years before he joined the Group as a financial analyst on 1st July, 1996.

Mr. Sim Kok Leong, aged 45, is the Group Finance Vice General Manager. He holds a Master Degree in Business Administration from the University of Dubuque and a Bachelor Degree in Business Administration from the National University of Singapore. He has more than 10 years of international banking exposure, and was with one of the top 20 international banks before he joined the Group on 11th October, 1999.

Miss Kon Siew Foon, aged 44, is the Senior Accounting Manager of the Group. She graduated from University of Malaya, Malaysia in 1990 majoring in accounting. Upon graduation, she worked as an auditor for 2 years. She joined the Group on 2nd May, 1992.

Mr. Chen De Jung, aged 43, is the Chief Administrative Officer of the Group. He graduated from Connecticut University in USA with a Master Degree in Business Administration in 1996. Upon graduation, he worked in one of the largest telecommunication companies in USA. He joined the Group on 31st October, 1996.

FINANCIAL SUMMARY

(Amounts expressed in United States dollars unless otherwise stated)

Results

	For the year ended 31st December,				
	2008	2007	2006	2005	2004
	$'000	$'000	$'000	$'000	$'000
Revenue	**94,706**	108,986	105,478	95,436	102,421
(Loss)/Profit attributable to the Companys' equity holders	**(36,452)**	1,268	458	(7,904)	(4,499)
Dividends	**–**	–	–	–	–

FINANCIAL SUMMARY

(Amounts expressed in United States dollars unless otherwise stated)

Assets and liabilities

	As at 31st December,				
	2008	2007	2006	2005	2004
	$'000	$'000	$'000	$'000	$'000
Leasehold land	**2,928**	2,958	2,989	3,020	3,051
Property, plant and equipment	**61,989**	73,852	74,371	81,005	88,391
Interests in an associate	**981**	–	–	–	–
Deferred income tax assets	**4,807**	5,021	4,716	4,402	14,610
Deposit for acquisition of an investment	**1,000**	1,500	–	–	–
Current assets	**19,634**	45,845	39,241	39,444	40,344
Current liabilities	**(42,384)**	(44,237)	(42,097)	(47,398)	(43,815)
Non-current borrowings	**(48,947)**	(48,419)	(53,165)	(57,140)	(60,934)
Deferred income tax liabilities	**–**	–	(15)	(14)	(10,487)
	8	36,520	26,040	23,319	31,160
Representing:					
Ordinary shares	**4,278**	4,278	3,598	18,037	18,037
Reserves	**(5,270)**	31,242	21,442	4,282	12,123
Minority interest in equity	**1,000**	1,000	1,000	1,000	1,000
Shareholders' equity	**8**	36,520	26,040	23,319	31,160

CORPORATE GOVERNANCE REPORT

The Board believes that a high standard of corporate governance is crucial to the development of the Group. In addition to complying with statutory and regulatory standards, the Group is committed to maintain a high standard of corporate governance with emphasis on transparency, accountability and fairness.

The Board is composed of a group of professionals and businessmen with different expertise in skill and experience. In order to ensure independence and objectivity in the management, non-executive Directors represent a majority of the Board.

Board of Directors

The Board is responsible for establishing the strategic direction and the overall management of the Group's business. Day-to-day operation, particularly, certain manufacturing operational management is however, delegated to the management.

The number of Board meetings held during the year ended 31st December, 2008 and the directors' respective attendance record are summarized as follows:

	Number of meetings attended *(14 meetings in total)*
Executive Directors	
Budiono Widodo	13
Sardjono Widodo	14
Liao Yun Kuang	14
Yu Chien Te	13
Non-executive Directors	
Pipin Kusnadi	8
Sudjono Halim	7
Independent Non-executive Directors	
Marzuki Usman	8
Kusnadi Widjaja	7
Siah Chong Huat	7

Regular Board meetings are convened and held by the Company and Directors are given adequate notice to attend such regular Board meetings or other Board meetings. Directors are also provided in a timely manner with appropriate information in such form and of such quality as will enable them to make an informed decision and to discharge their duties and responsibilities as Directors. Minutes of regular Board meetings, other Board meetings or other committees meetings are recorded in sufficient detail. Drafts of these minutes are circulated to all Directors for their comments before they are finalized for signatures and records.

CORPORATE GOVERNANCE REPORT

Under code provision A.3, the Board should include a balanced composition of executive and non-executive directors (including independent non-executive directors) and under rule 3.10, the Board must include at least three independent non-executive directors.

Due to the resignation of Mr. Ngai Kwok Chuen on 29th November, 2007, the Board only had two independent non-executive directors since then until Mr. Siah Chong Huat was appointed as an independent non-executive director of the Company to fill this casual vacancy on 18th January, 2008.

As disclosed in the section of Biographical Details of Directors and Senior Management, Mr. Sardjono Widodo, Managing Director and Mr. Sudjono Halim, a non-executive director, are the son and son-in-law of Dr. Budiono Widodo, Chairman, respectively.

Chairman and Chief Executive Officer

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.

In addition to his duties as the Chairman, Dr. Budiono Widodo is also responsible for the strategic planning and overseeing certain aspects of the Group's operation. Such duties overlap with those of Mr. Sardjono Widodo, the Chief Executive Officer, who is his son. Nevertheless, the Board considers that this will not impair the balance of power and authority of the Board and management of the Group. The balance of power and authority is ensured by the operation of the Board, which comprises nine directors. All of them are experienced businessmen or professionals and they meet regularly to review the Group's performance. For decisions which may have significant effect on the Group's business, attendance of all directors in a board meeting is secured as far as possible.

Non-executive Directors

All the non-executive directors of the Company are appointed for a specific term of one year but they are also subject to retirement by rotation in accordance with the Company's Bye-laws.

Code of Conduct on Directors' Securities Transactions

The Company has adopted the terms as contained in the Model Code for Securities Transactions by Directors of Listed Issuers (Appendix 10 of the Listing Rules) as the Company's code of conduct for securities transactions and dealings (Model Code). All existing directors of the Company, upon specific enquiry, have confirmed that they have complied with the Model Code during the year ended 31st December, 2008.

Remuneration of Directors

The Remuneration Committee was duly constituted on 29th June, 2005 and comprises an executive director, Mr. Liao Yun Kuang (chairman) and two independent non-executive directors, Mr. Marzuki Usman and Mr. Kusnadi Widjaja.

The primary role of the Remuneration Committee under its terms of reference is to support and advise the Board in fulfilling the Board's responsibility to the shareholders of the Company to (a) establish remuneration policies and structure of directors and senior management; (b) review and approve performance-based remuneration by reference to the goals, objectives and performance of the Group; and (c) to determine the specific remuneration packages and/or compensation for all executive Directors and senior management; and (d) to ensure that no Director or any of his associates is involved in deciding his own remuneration.

CORPORATE GOVERNANCE REPORT

Nomination of Directors

The Board will meet to discuss nomination of directors when circumstances required. Upon receipt of a nomination from the members of the Board, a Board meeting will then be convened to consider and discuss the nomination. Academic and professional qualifications, business experience, expertise and knowledge as well as other requirements under the Listing Rules will be assessed to determine if the nomination is suitable.

Auditor's Remuneration

During the year ended 31st December, 2008, the Group engaged PricewaterhouseCoopers to perform audit and audit related services at a fee of approximately US$344,000, which include the service fee of approximately US$24,000 for an engagement to apply certain agreed-upon procedures to the Group's 2008 interim financial statements.

Audit Committee

The Audit Committee comprises three independent non-executive directors, Mr. Marzuki Usman (chairman), Mr. Kusnadi Widjaja and Mr. Siah Chong Huat (appointed on 18th January, 2008 to fill the casual vacancy arising from the resignation of Mr. Ngai Kwok Chuen).

The number of committee meetings held during the year ended 31st December, 2008 and the committee members' respective attendance record are summarized as follows:

	Number of meetings attended *(3 meetings in total)*
Marzuki Usman	3
Kusnadi Widjaja	2
Siah Chong Huat	3

The Audit Committee has adopted terms of reference which are in line with the Code and the Corporate Governance Code issued by the Stock Exchange.

The main duties of the Audit Committee are as follows:

a. To review with the internal and external auditors the adequacy and effectiveness of the Group's internal control and service systems and practices;

b. To consider the appointment of the external auditors, its remuneration and any questions of resignation or dismissal;

c. To discuss with the external auditors before the audit commences, the nature and scope of the audit;

d. To review the half year and annual financial statements before submission to the Board, focusing particularly on:

- Any changes in accounting policies and practices;
- Significant adjustments resulting from audit;
- The going concern assumption;
- Significant and unusual events;
- Compliance with accounting standards or any other legal requirements

CORPORATE GOVERNANCE REPORT

e. To discuss problems and reservations arising from the audits, and any matters the external auditors may wish to discuss;

f. To perform any other functions as may be agreed by the Audit Committee and the Board.

During the year ended 31st December, 2008, the Audit Committee met to review the annual financial statements for the year ended 31st December, 2007 and the interim financial information for the six months ended 30th June, 2008. In November 2008, the Audit Committee communicated with the external auditor of the Company through telephone conference to discuss their audit plan for 2008 annual audit.

The Audit Committee has discussed and reviewed with management the consolidated financial statements for the year ended 31st December, 2008.

Internal controls

The Group has in place a group Internal Audit function, which assists the Audit Committee with assessment on the adequacy and integrity of the systems of internal control. Internal audit function reports directly to the Audit Committee. Internal audit function undertakes the audit of the Group's operating units, reviewing the units compliance to internal control procedures, highlighting weaknesses and making appropriate recommendations for improvements.

The Board notes that all internal control systems contain inherent limitations and no system of internal control could provide absolute assurance against the occurrence of material errors, poor judgment in decision making, human error losses, fraud and other irregularities.

During the year, the Audit Committee and the board of directors have reviewed the effectiveness of the existing system of internal control and found no material weaknesses that have resulted in any material losses or major breakdown that would require disclosure in this annual report. Management will continue to review and take measures to strengthen the internal control environment.

Communication with Shareholders

The Board maintains an on-going dialogue with shareholders through annual general meetings or special general meetings and shareholders are encouraged to participate.

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 Dr. Budiono Widodo, Chairman of the Board, he did not attend the Company's 2008 annual general meeting. In order to remedy the situation and ensure the smooth and effective communications between the Board and shareholders, Mr. Sardjono Widodo, Managing Director and Mr. Liao Yun Kuang, President of the Group, attended the Company's 2008 annual general meeting to answer questions raised by shareholders.

REPORT OF THE DIRECTORS

(All amounts in United States dollars unless otherwise stated)

The Directors submit their report together with the audited financial statements for the year ended 31st December, 2008.

Principal activities and geographical analysis of operations

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in note 8 to the accompanying consolidated financial statements.

The Group's sales for the year ended 31st December, 2008 is analyzed as follows:

		Continuing operations $'000	Discontinued operation $'000	Total $'000
a.	**Sales and distribution of merchandise by product categories**			
	Weather and boil proof plywood	51,783	–	51,783
	Flooring	20,367	–	20,367
	Moisture resistant plywood	18,684	–	18,684
	Jamb and mouldings	2,021	3,885	5,906
	Structural	1,457	1,482	2,939
	Others	394	2,220	2,614
		94,706	7,587	102,293
b.	**Sales and distribution of merchandise by geographical areas***			
	Europe	23,775	1,493	25,268
	South East Asia	24,944	–	24,944
	The People's Republic of China ("the PRC")	16,643	211	16,854
	Japan	14,971	1,184	16,155
	Korea	7,845	415	8,260
	North America	3,262	3,336	6,598
	Others	3,266	948	4,214
		94,706	7,587	102,293

* Sales and distribution of merchandise by geographical areas is determined on the basis of the location to where the merchandise is delivered.

Details of segment information are set out in note 6 to the accompanying consolidated financial statements.

Results and appropriations

The results of the Group for the year are set out in the consolidated income statement on page 28.

The Directors do not recommend the payment of a dividend.

Donations

There was no charitable or other donations made by the Group during the year.

REPORT OF THE DIRECTORS

(All amounts in United States dollars unless otherwise stated)

Property, plant and equipment

Details of the movements in property, plant and equipment of the Group during the year are set out in note 9 to the accompanying consolidated financial statements.

Ordinary shares

Details of the movements in ordinary shares of the Company during the year are set out in note 16 to the accompanying consolidated financial statements.

Distributable reserves

Movements in distributable reserves of the Group and the Company during the year are set out in note 17 to the accompanying consolidated financial statements.

As at 31st December, 2008, approximately $8,964,000 (2007: $20,123,000) of the Company's reserves was available for distribution to its shareholders.

Pre-emptive rights

There is no provision for pre-emptive rights under the Company's Bye-laws and the laws in Bermuda.

Five year financial summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 11 to 12 of this annual report.

Purchase, sale or redemption of securities

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

Share options

Before the listing of the Company's shares on the Stock Exchange on 20th November, 1995, the Company adopted a share option scheme for employees on 17th October, 1995 ("Pre-IPO Option Scheme").

In compliance with the amended Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange, the Company terminated the Pre-IPO Option Scheme and adopted the current share option scheme (the "Scheme"), as approved by shareholders at the Annual General Meeting on 21st June, 2002. Upon the said termination, no further options could be granted under the Pre-IPO Option Scheme but in all other respects, the provisions of the Pre-IPO Option Scheme should remain in force and all outstanding options granted prior to the termination should continue to be valid and exercisable. 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 Stock Exchange'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 Stock Exchange'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.

REPORT OF THE DIRECTORS

(All amounts in United States dollars unless otherwise stated)

No share option has been granted under the Scheme. Details of the share options granted under the Pre-IPO Option Scheme in 1999 and outstanding as at 31st December, 2008 were as follows:

Name	Date of Grant	Exercise Period	Exercise price per share	Number of shares to be issued under options granted under share option scheme Beginning and End of year
Mr. Liao Yun Kuang	26/8/1999	14/3/2000 to 13/3/2010	HK$0.71	7,425,600
Continuous Contract Employees	26/8/1999	14/3/2000 to 13/3/2010	HK$0.71	3,003,000
				10,428,600

Directors

The Directors who held office during the year and up to the date of this report are:

Executive Directors

Dr. Budiono Widodo, *Chairman*
Mr. Sardjono Widodo, *Managing Director*
Mr. Liao Yun Kuang, *President*
Mr. Yu Chien Te

Non-Executive Directors

Mr. Sudjono Halim
Mr. Pipin Kusnadi

Independent Non-Executive Directors

Mr. Marzuki Usman
Mr. Kusnadi Widjaja
Mr. Siah Chong Huat

In accordance with Bye-laws 99 of the Company's Bye-laws and Code Provision A.4 under Appendix 14 to the Listing Rules, Dr. Budiono Widodo, Mr. Sardjono Widodo and Mr. Pipin Kusnadi will retire at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

The Company has received from each independent non-executive Director an annual confirmation of his independence pursuant to Rule 3.13 of Chapter 3 of the Rules Governing the listing of Securities on the Stock Exchange ("Listing Rules") and the Company still considers such Directors to be independent.

Directors' service contracts

None of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company, which is not determinable within one year without payment of compensation other than statutory compensation.

REPORT OF THE DIRECTORS

(All amounts in United States dollars unless otherwise stated)

Directors' interests in contracts

No contracts of significance in relation to the Group's business to which the Company, any of its fellow subsidiaries or its parent company was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Brief biographical details of the Directors and Senior Management are set out on pages 9 to 10 of this annual report.

Directors' and Chief Executives' interests and/or short positions in the shares, underlying shares and debentures of the Company or any associated corporation

At 31st December, 2008, the interests and short positions of each Director and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO"), as recorded in the register required to be kept by the Company under Section 352 of Part XV of the SFO were as follows:

	Personal Interest	Corporate Interest *Note 1*	Trust Interest *Note 2*	Total	% of Total Shares Outstanding
Dr. Budiono Widodo	24,827,600	24,827,600	394,944,000	444,599,200	33.48%
Mr. Sardjono Widodo	Nil	Nil	394,944,000	394,944,000	29.74%
Mr. Yu Chien Te	5,887,320	Nil	Nil	5,887,320	0.44%

Notes:

1. As at 31st December, 2008, Wealth Summit Holdings Limited held 24,827,600 shares of the Company. Dr. Budiono Widodo, a Director of the Company, held 100% of the outstanding shares of Wealth Summit Holdings Limited.

2. As at 31st December, 2008, Bank of East Asia (Trustee) Limited, being the trustee of The Peace Trust, held indirectly 394,944,000 shares of the Company. Dr. Budiono Widodo and Mr. Sardjono Widodo are named beneficiaries of The Peace Trust.

Save as disclosed herein and the section "Share options", as at 31st December, 2008, none of the Directors, the chief executive of the Company or their associates had any interest or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO.

REPORT OF THE DIRECTORS

(All amounts in United States dollars unless otherwise stated)

Directors' interests in competing business

Dr. Budiono Widodo, (a Commissioner of P.T. Sumatra Timber Utama Damai ("P.T. STUD")) Chairman of the Company, and Mr. Sardjono Widodo, (a Commissioner of P.T. STUD) Managing Director of the Company, have personal and corporate interests of approximately 2.82% and 3.31% in P.T. STUD respectively.

P.T. STUD is a prominent manufacturer in the container flooring segment and its management team comprises professionals, associates and family members of Dr. Budiono Widodo.

During the year ended 31st December, 2008, P.T. STUD recorded a sales of $51.2 million, which was analyzed by product range as follows:

	$million
Container flooring	21.6
Industrial plywood	9.8
Film face plywood	19.8
Total	51.2

The core business of P.T. STUD is the manufacture and sales of industrial plywood and other secondary plywood products. The principal business of the Group is the manufacture and distribution of plywood, veneer and consumer-related wood products. Therefore, the business of P.T. STUD does not and will not compete with that of the Group.

In addition, Dr. Budiono Widodo and Mr. Sardjono Widodo are not involved in the day-to-day operations of the business of P.T. STUD. Furthermore, P.T. STUD has given an undertaking in favour of the Group that it will not compete with the Group by manufacturing those plywood products which are currently produced, or are likely to be produced in the future, by the Group, but excluding products which are currently produced by P.T. STUD.

REPORT OF THE DIRECTORS

(All amounts in United States dollars unless otherwise stated)

Substantial shareholders' Interests and/or Short Positions in the Shares, Underlying Shares of the Company

The register of substantial shareholders required to be kept under section 336 of Part XV of the SFO shows that as at 31st December, 2008, the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the Directors and chief executives.

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
Dr. Budiono Widodo	Beneficial owner, held by controlled corporation and beneficiary of a trust	444,599,200	33.48%
Aroma Pinnacle Inc *Note 1*	Held by controlled corporation	394,944,000	29.74%
Bank of East Asia (Trustees) Limited as the trustee of The Peace Trust *Note 1*	Held by controlled corporation	394,944,000	29.74%
Peace Avenue Group Limited *Note 2*	Held by controlled corporation	394,944,000	29.74%
Mr. Sardjono Widodo	Beneficiary of a trust	394,944,000	29.74%
Precious Win Group Limited	Beneficial owner	197,472,000	14.87%
SMI International Limited	Beneficial owner	197,472,000	14.87%

Notes:

1. Reference to 394,944,000 shares of the Company relate to the same block of shares in the Company which represent the total number of shares of the Company held indirectly by Peace Avenue Group Limited (as explained in note 2 below).

2. Precious Win Group Limited and SMI International Limited are owned by Peace Avenue Group Limited for 65.25% and 39.82% respectively and their interests in the issued share capital of the Company are included in the interests held by Peace Avenue Group Limited.

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

REPORT OF THE DIRECTORS

(All amounts in United States dollars unless otherwise stated)

Major suppliers and customers

The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchases	
– the largest supplier	8.32%
– five largest suppliers combined	24.95%
Sales	
– the largest customer	15.88%
– five largest customers combined	52.35%

None of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

Connected transactions

Significant related party transactions entered by the Group during the year ended 31st December, 2008, which do not constitute connected transactions under the Listing Rules, are disclosed in note 35 to the accompanying consolidated financial statements.

Discontinued operation

As a result of the recent worldwide financial turmoil, the operating environment of the PRC subsidiary, Dalian Global Wood Products Company Limited ("Dalian Global"), has become more difficult. Accordingly, after due consideration of the interests of the Group, the Board decided on 4th November, 2008 to discontinue the operation of Dalian Global as disclosed in note 15 to the accompanying consolidated financial statements.

Dalian Global is a limited liability company incorporated under the laws of the PRC and its immediate holding company is a limited liability company incorporated under the laws of the British Virgin Islands. The Company and its other subsidiaries have not guaranteed any debts or liabilities of Dalian Global or its immediate holding company. Accordingly, management is of the view that the Company and its other subsidiaries will have no further liabilities in relation to Dalian Global.

A special committee, led by Mr. Marzuki Usman, Chairman of the Audit Committee, has been set up to endeavour to resolve expeditiously the accounts and other outstanding issues relating to Dalian Global.

Sufficiency of public float

Based on information that is publicly available to the Company and within the knowledge of the Directors of the Company, the Board of Directors confirms that the Company has maintained a sufficient public float as required under the Listing Rules during the year ended 31st December, 2008.

Auditor

The accompanying consolidated financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board of Directors

BUDIONO WIDODO
Chairman
Hong Kong, 16th April, 2009

REPORT OF THE AUDITOR

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor, Prince's Building
Central, Hong Kong

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF PACIFIC PLYWOOD HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

We were engaged to audit the consolidated financial statements of Pacific Plywood Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 26 to 86, which comprise the consolidated and Company balance sheets as at 31st December, 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The Directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Except for the limitation in the scope of our work as explained below, we conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement. However, because of the matter described in the basis for disclaimer of opinion paragraph, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

REPORT OF THE AUDITOR

Basis for disclaimer of opinion

Included in the consolidated financial statements of the Group is the financial information of one of its subsidiaries, Dalian Global Wood Products Company Limited ("Dalian Global"). The assets, liabilities and results of Dalian Global as at and for the year ended 31st December, 2008, both individually and in aggregate, are significant to the Group. As explained in note 3.1(d) to the consolidated financial statements, certain assets of Dalian Global have been frozen by the local court and access to its manufacturing facilities, in which most of its accounting records and related supporting documents are located, has been blocked. As a result, the Group was unable to make available to us these accounting records and related supporting documents. We were therefore unable to carry out satisfactory audit procedures to obtain reasonable assurance regarding the completeness, accuracy, existence, valuation, classification and disclosures of the transactions undertaken by Dalian Global during the year ended 31st December, 2008 and the related balances further detailed in note 15 to the consolidated financial statements. Accordingly, we were unable to obtain sufficient and appropriate audit evidence to ascertain whether the financial information of Dalian Global included in the Group's consolidated financial statements as at and for the year ended 31st December, 2008 has been properly prepared in accordance with Hong Kong Financial Reporting Standards. Any adjustment to the above mentioned financial information may have a significant effect on the Group's assets and liabilities as at 31st December, 2008 and its loss and cash flows for the year then ended.

Disclaimer of opinion: disclaimer on view given by financial statements

Because of the significance of the matter described in the basis for disclaimer of opinion paragraph, we do not express an opinion on whether the consolidated financial statements give a true and fair view of the state of affairs of the Group and of the Company as at 31st December, 2008 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material uncertainty concerning going concern basis of accounting

Without further qualifying our opinion, we draw attention to note 2 to the consolidated financial statements concerning the adoption of the going concern basis on which the consolidated financial statements have been prepared. As explained in note 2 to the consolidated financial statements, the consolidated financial statements have been prepared on the going concern basis, the validity of which depends upon the ongoing support from the Group's bankers and the Group's ability to generate sufficient cash flows from future operations to cover the Group's operating costs and to meet its financing commitments. The consolidated financial statements do not include any adjustments that would result from the failure of such measures. Details of the circumstances relating to this material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern are described in note 2 to the consolidated financial statements.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 16th April, 2009

BALANCE SHEETS

As at 31st December, 2008
(All amounts in United States dollars unless otherwise stated)

		Group		Company	
		2008	2007	**2008**	2007
	Note	**$'000**	$'000	**$'000**	$'000
ASSETS					
Non-current assets					
Investments in subsidiaries	8	**–**	–	**20,753**	30,529
Leasehold land	7	**2,928**	2,958	**–**	–
Property, plant and equipment	9	**61,989**	73,852	**1**	2
Interests in an associate	10	**981**	–	**–**	–
Deferred income tax assets	21	**4,807**	5,021	**–**	–
Deposit for acquisition of an investment	11	**1,000**	1,500	**–**	–
		71,705	83,331	**20,754**	30,531
Current assets					
Inventories	13	**13,309**	21,106	**–**	–
Trade and other receivables	12	**4,652**	18,995	**59**	59
Cash and cash equivalents	14	**1,673**	5,744	**17**	29
Amounts due from subsidiaries	8	**–**	–	**1,730**	2,769
		19,634	45,845	**1,806**	2,857
Total assets		**91,339**	129,176	**22,560**	33,388
EQUITY					
Capital and reserves attributable to the Company's equity holders					
Ordinary shares	16	**4,278**	4,278	**4,278**	4,278
Share premium		**7,652**	7,652	**7,652**	7,652
Other reserves	17	**4,868**	4,928	**20,581**	20,581
(Accumulated losses)/Retained earnings		**(17,790)**	18,662	**(11,617)**	(458)
		(992)	35,520	**20,894**	32,053
Minority interest in equity	18	**1,000**	1,000	**–**	–
Total equity		**8**	36,520	**20,894**	32,053

BALANCE SHEETS

As at 31st December, 2008
(All amounts in United States dollars unless otherwise stated)

	Note	Group		Company	
		2008	2007	**2008**	2007
		$'000	$'000	**$'000**	$'000
LIABILITIES					
Non-current liabilities					
Borrowings	*20*	**48,947**	48,419	**–**	–
Current liabilities					
Amounts due to subsidiaries	*8*	**–**	–	**950**	665
Trade and other payables	*19*	**23,903**	23,342	**716**	670
Current income tax liabilities		**98**	98	**–**	–
Bank overdrafts	*14&20*	**2,521**	–	**–**	–
Borrowings	*20*	**15,862**	20,797	**–**	–
		42,384	44,237	**1,666**	1,335
Total liabilities		**91,331**	92,656	**1,666**	1,335
Total equity and liabilities		**91,339**	129,176	**22,560**	33,388
Net current (liabilities)/assets		**(22,750)**	1,608	**140**	1,522
Total assets less current liabilities		**48,955**	84,939	**20,894**	32,053

Approved by the Board of Directors on 16th April, 2009 and signed on behalf of the Board by:

BUDIONO WIDODO
Chairman

SARDJONO WIDODO
Managing Director

The notes on pages 31 to 86 are an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December, 2008
(All amounts in United States dollars unless otherwise stated)

	Note	Year ended 31st December 2008 $'000	2007 $'000
Continuing operations:			
Revenue	6	**94,706**	108,986
Cost of sales	23	**(85,694)**	(86,423)
Gross profit		**9,012**	22,563
Distribution costs	23	**(11,255)**	(11,234)
Administrative expenses	23	**(8,915)**	(8,536)
Other gains – net	22	**1,795**	2,918
(Provision for)/Write-back of impairment losses on property, plant and equipment	9	**(430)**	3,362
Operating (loss)/profit		**(9,793)**	9,073
Finance costs	25	**(3,591)**	(4,439)
Share of loss of an associate	10	**(195)**	–
(Loss)/Profit before income tax		**(13,579)**	4,634
Income tax	26	**–**	1,801
(Loss)/Profit for the year from continuing operations		**(13,579)**	6,435
Discontinued operation:			
Loss for the year from discontinued operation	15	**(22,873)**	(5,167)
(Loss)/Profit for the year		**(36,452)**	1,268
Attributable to:			
Company's equity holders		**(36,452)**	1,268
(Loss)/Earnings per share for (loss)/profit from continuing operations and loss from discontinued operation attributable to the Company's equity holders during the year (expressed in United States cents per share)			
Basic (loss)/earnings per share			
From continuing operations	28	**(1.02)**	0.53
From discontinued operation	28	**(1.72)**	(0.43)
		(2.74)	0.10
Diluted (loss)/earnings per share			
From continuing operations	28	**(1.02)**	0.53
From discontinued operation	28	**(1.72)**	(0.43)
		(2.74)	0.10
Dividends		**–**	–

The notes on pages 31 to 86 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December, 2008
(All amounts in United States dollars unless otherwise stated)

		Attributable to the Company's equity holders					
	Note	**Ordinary shares** $'000	**Share premium** $'000	**Other reserves** $'000	**Retained earnings/ (Accumulated losses)** $'000	**Minority Interest in equity** $'000	**Total** $'000
At 1st January, 2007		3,598	–	4,048	17,394	1,000	26,040
Issuance of new shares		680	7,652	–	–	–	8,332
Profit for the year		–	–	–	1,268	–	1,268
Currency translation differences	*17(a)*	–	–	880	–	–	880
At 31st December, 2007		4,278	7,652	4,928	18,662	1,000	36,520
At 1st January, 2008, as per above		4,278	7,652	4,928	18,662	1,000	36,520
Loss for the year		–	–	–	(36,452)	–	(36,452)
Currency translation differences	*17(a)*	–	–	(60)	–	–	(60)
At 31st December, 2008		**4,278**	**7,652**	**4,868**	**(17,790)**	**1,000**	**8**

The notes on pages 31 to 86 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st December, 2008
(All amounts in United States dollars unless otherwise stated)

	Note	**Year ended 31st December 2008 $'000**	2007 $'000
Cash flows from operating activities			
Cash generated from operations	*29*	**5,279**	7,475
Interest paid	*25*	**(3,861)**	(4,868)
Net cash generated from operating activities		**1,418**	2,607
Cash flows from investing activities			
Acquisition of a subsidiary, net of cash acquired	*34*	**6**	–
Purchase of property, plant and equipment (PPE)		**(2,621)**	(3,657)
Proceeds from disposal of PPE	*29*	**172**	2,075
Advance to an associated company	*10*	**(700)**	–
Deposit for acquisition of an investment		**–**	(1,500)
Interest received	*22*	**16**	43
Net cash used in investing activities		**(3,127)**	(3,039)
Cash flows from financing activities			
Proceeds from issuance of new shares		**–**	8,332
Proceeds from borrowings		**9,752**	1,727
Repayments of borrowings		**(13,754)**	(6,950)
Repayment of principal portion of finance leases		**(238)**	(193)
Net cash (used in)/generated from financing activities		**(4,240)**	2,916
Net (decrease)/increase in cash, cash equivalents and bank overdrafts		**(5,949)**	2,484
Cash, cash equivalents and bank overdrafts at beginning of the year	*14*	**5,744**	3,235
Exchange (losses)/gains on cash, cash equivalents and bank overdrafts		**(643)**	25
Cash, cash equivalents and bank overdrafts at end of the year	*14*	**(848)**	5,744

The notes on pages 31 to 86 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2008
(All amounts in United States dollars unless otherwise stated)

1. General information

Pacific Plywood Holdings Limited ("the Company") was incorporated in Bermuda on 9th May, 1994. The address of its registered office is Canon's Court, 22 Victoria Street, Hamilton, HM12, Bermuda.

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 Stock Exchange") since 20th November, 1995.

These consolidated financial statements are presented in United States dollars ("$"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 16th April, 2009.

2. Going concern

As at 31st December, 2008, the Group had net current liabilities of $22,750,000 (2007 – net current assets of $1,608,000) and outstanding borrowings and bank overdrafts amounted to approximately $67,330,000 (2007 – $69,216,000), out of which approximately $18,383,000 (2007 – $20,797,000) was due for repayment and renewal within the next twelve months. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

The Group intends to maintain its strong business relationship with its bankers to maintain their continuing support and is actively discussing with its bankers for the renewal of short term banking facilities when they fall due in 2009. The Directors are confident that the short term banking facilities will be renewed. In January 2009, the Group successfully obtained an approval from its principal bank for a moratorium period commencing from 31st December, 2008 to 31st December, 2009 on the repayment of principal and interest on a term loan of approximately $43,816,000 (Note 36).

In November 2008, the Group discontinued the operation of its PRC subsidiary, Dalian Global Wood Products Company Limited ("Dalian Global"), which had been in a loss and net cash outflow position for years (Note 15). With the discontinuation of this operation, the implementation of other cost-cutting measures and the ongoing support from its bankers, the Directors believe the Group should be able to 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 its financial obligations as and when they fall due for the twelve months from 31st December, 2008.

The Directors are confident that the Group will continue to obtain the ongoing support from its bankers, and accordingly, the Directors are of the opinion that it is appropriate to prepare the financial statements on the going concern basis. The financial statements 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2008
(All amounts in United States dollars unless otherwise stated)

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") under the historical cost convention.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 5.

(a) The following amendments to standards and interpretations are mandatory for financial year ended 31st December, 2008.

HKAS 39 & HKFRS 7	Reclassification of Financial Assets
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit On a Defined Benefit Asset, Minimum Funding Requirements and their interaction

The adoption of the above amendments to standards and interpretations did not have any significant financial impact to the Group.

(b) The following new standards, amendments to standards and interpretations have been issued but are not effective for 2008 and have not been early adopted:

HKAS 1 (Revised) Presentation of Financial Statements[2]

The revised standard will prohibit the presentation of items of income and expenses (that is, "non-owner changes in equity") in the statement of changes in equity, requiring "non-owner changes in equity" to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the consolidated income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The Group will apply HKAS 1 (Revised) from 1st January, 2009. It is likely that both the consolidated income statement and statement of comprehensive income will be presented as performance statements.

HKAS 23 (Revised) Borrowing Costs[2]

The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Group will apply HKAS 23 (Revised) retrospectively from 1st January, 2009 but is currently not applicable to the Group as there are no qualifying assets.

For the year ended 31st December, 2008
(All amounts in United States dollars unless otherwise stated)

3. Summary of significant accounting policies (Continued)

3.1 Basis of preparation (Continued)

(b) The following new standards, amendments to standards and interpretations have been issued but are not effective for 2008 and have not been early adopted: (Continued)

HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]

The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognized in profit or loss. The Group will apply HKAS 27 (Revised) prospectively to transactions with non-controlling interests from 1st January, 2010.

HKFRS 3 (Revised)	Business Combination[3]

The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the consolidated income statement. There is a choice on an acquisition by acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply HKFRS 3 (Revised) prospectively to all business combinations from 1st January, 2010.

HKFRS 8	Operating Segments[2]

HKFRS 8 replaces HKAS 14, "Segment reporting", and aligns segment reporting with the requirements of the US standard SFAS 131, "Disclosures about segments of an enterprise and related information". The new standard requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply HKFRS 8 retrospectively from 1st January, 2009.

HKFRS 1 & HKFRS 5 (Amendment)	Non-current assets held for sale and discontinued operations[3]

The amendment clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control, and relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met. A consequential amendment to HKFRS 1 states that these amendments are applied prospectively from the date of transition to HKFRSs. The Group will apply the HKFRS 5 (Amendment) prospectively to all partial disposals of subsidiaries from 1st January, 2010.

HKAS 36 (Amendment)	Impairment of assets[2]

Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The Group will apply the HKAS 36 (Amendment) and provide the required disclosure where applicable for impairment tests from 1st January, 2009.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2008
(All amounts in United States dollars unless otherwise stated)

3. Summary of significant accounting policies (Continued)

3.1 Basis of preparation (Continued)

(b) The following new standards, amendments to standards and interpretations have been issued but are not effective for 2008 and have not been early adopted: (Continued)

HKFRS 1 & HKAS 27 (Amendment)	Cost of Investment in a Subsidiary, Jointly Controlled Entities or Associates[3]

The amended standard allows first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendment also removes the definition of the cost method from HKAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The Company will apply HKAS 27 (Amendment) prospectively from 1st January, 2010 in its separate financial statements.

(c) The following new standards, amendments to standards and interpretations have been issued but are not effective for 2008 and not relevant for the Group's operations:

HKAS 32 and HKAS 1 (Amendment)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
HKFRS 2 (Amendment)	Share-based Payment Vesting Conditions and Cancellations[2]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[3]
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate[2]
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation[1]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[3]
HK(IFRIC) – Int 18	Transfer of Assets from Customers[3]
HKAS 19 (Amendment)	Employee benefits[2]
HKAS 39 (Amendment)	Financial instruments: Recognition and measurement[2]
HKAS 16 & HKAS 7 (Amendment)	Property, plant and equipment and statement of cash flow[2]
HKAS 20 (Amendment)	Accounting for government grants and disclosure of government assistance[2]
HKAS 28, HKAS 32 & HKFRS 7 (Amendment)	Investments in associates[2]
HKAS 29 (Amendment)	Financial reporting in hyperinflationary economies[2]

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2008
(All amounts in United States dollars unless otherwise stated)

3. Summary of significant accounting policies (Continued)

3.1 Basis of preparation (Continued)

(c) The following new standards, amendments to standards and interpretations have been issued but are not effective for 2008 and not relevant for the Group's operations: (Continued)

HKAS 31, HKAS 32 & HKFRS 7 (Amendment)	Interests in joint ventures[2]
HKAS 38 (Amendment)	Intangible assets[2]
HKAS 40 & HKAS 16 (Amendment)	Investment property[2]
HKAS 41 (Amendment)	Agriculture[2]

There are a number of minor amendments to HKFRS 7, "Financial instruments: Disclosures", HKAS 8, "Accounting policies, changes in accounting estimates and errors", HKAS 10, "Events after the balance sheet date", HKAS 18, "Revenue" and HKAS 34, "Interim financial reporting", which are not addressed above. These amendments are unlikely to have an impact on the Group's financial statements and have therefore not been analyzed in detail.

Notes:

1 Effective for annual periods beginning on or after 1st October, 2008.
2 Effective for annual periods beginning on or after 1st January, 2009.
3 Effective for annual periods beginning on or after 1st July, 2009.

(d) Financial information of Dalian Global

Dalian Global is the PRC subsidiary of the Company. It is a cooperative joint venture and its scope of business is the manufacture and sale of wood products. As a result of the recent worldwide financial turmoil, the operating environment of Dalian Global has become more difficult. After consideration for the interests of the Group, the Directors decided in November 2008 to discontinue the operation of Dalian Global. The discontinuation might result in a possible liquidation of Dalian Global.

After the discontinuation of operation of Dalian Global, it is the understanding of the Group that certain assets of Dalian Global have been frozen by the local court and access to the manufacturing facilities, in which most of its accounting records and related supporting documents are located, has been blocked. As a result, the Group encountered immense difficulties in gaining access to the accounting records and related supporting documents of Dalian Global.

The financial information of Dalian Global, which was described in note 15 and included in the consolidated financial statements of the Group, was prepared by management based on Dalian Global's management accounts and related reports made up to August 2008, after making the necessary estimates and adjustments arrived at using all relevant information available to the Group to date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2008
(All amounts in United States dollars unless otherwise stated)

3. Summary of significant accounting policies (Continued)

3.1 Basis of preparation (Continued)

(d) Financial information of Dalian Global (Continued)

Principal estimates and adjustments made by the Group include impairment provision for trade and other receivables, inventory provision, impairment provision for property, plant and equipment, compensation to employees, and provision for an onerous contract. These principal estimates and adjustments made in relation to Dalian Global were separately disclosed in the respective notes to the consolidated financial statements. The identification of estimates and adjustments requires the use of judgment and estimates. These judgment and estimates were based on searches and enquiries up to the date of these accounts. Where the expectation is different from the original estimate, such difference will impact the carrying amounts of trade and other receivables, inventories, property, plant and equipment, and provisions as at 31st December, 2008 and the results for the year in which such estimate has been changed. In addition, because the Group's management did not have access to the relevant accounting records and related supporting documents, it is uncertain as to whether all appropriate estimates and adjustments have been made.

3.2 Consolidation

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

(a) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights.

The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the consolidated income statement.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary in the consolidated financial statements to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses (Note 3.6). The results of subsidiaries are accounted by the Company on the basis of dividend received and receivable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2008
(All amounts in United States dollars unless otherwise stated)

3. Summary of significant accounting policies (Continued)

3.2 Consolidation (Continued)

(b) Minority interests

The Group applies a policy of treating transactions with minority interests as transactions with equity owners of the Group. For purchases from minority interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is equity. Gains or losses on disposals to minority interests are also recorded in equity.

If losses applicable to the minority shareholder in a consolidated subsidiary exceed the minority interest in the subsidiary's equity. the excess, and any further losses applicable to the minority, are allocated against the majority interest except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. If the subsidiary subsequently reports profits, such profits are allocated to the majority interest until the minority's share of losses previously absorbed by the majority has been recovered.

(c) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost. The Group's investment in an associate includes goodwill identified on acquisition, net of any accumulated impairment loss. See note 3.6 for the impairment of investment in an associate and non-financial assets including goodwill.

The Group's share of its associates' post-acquisition profits or losses is recognized in the consolidated income statement, and its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains on transactions between the Group and its associate is eliminated to the extent of the Group's interest in the associate. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet the interests in an associate is stated at cost less provision for impairment losses (Note 3.6). The results of associated company are accounted for by the Company on the basis of dividend received and receivable.

3. Summary of significant accounting policies (Continued)

3.3 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

In accordance with the Group's internal financial reporting the Group has determined to report its primary segment information by geographical location of operations and secondary segment by products. Details of the Group's segmental information are set out in note 6 to the consolidated financial statements.

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.

3.4 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 United States dollars, which is the Company's functional and the Group's 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 or valuation where items are remeasured. 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 consolidated income statement.

(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 consolidated 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2008
(All amounts in United States dollars unless otherwise stated)

3. Summary of significant accounting policies (Continued)

3.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the consolidated income statement during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives. The annual rates are as follows:

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 3.6).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within other gains – net, in the consolidated income statement.

Construction in progress is measured at actual cost. Actual cost comprises construction costs, other costs necessary to bring the fixed assets ready for their intended use. Construction in progress is transferred to fixed assets when the assets are ready for their intended use, and depreciation begins from the following month.

3.6 Impairment of investments in subsidiaries, associates and non-financial assets

Assets that have an indefinite useful life, are not subject to amortization and are tested annually for impairment. Assets 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). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Where an impairment loss subsequently reversed, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the consolidated income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2008
(All amounts in United States dollars unless otherwise stated)

3. Summary of significant accounting policies (Continued)

3.7 Leasehold land

Prepayments made for leasehold land are stated at cost less accumulated amortization and accumulated impairment losses (if any). Prepayments mainly represents consideration paid for the rights to use the land on which various plants and buildings are situated for a certain period from the date the respective right was granted. Amortization of leasehold land prepayments is calculated on a straight-line basis over the period of the lease.

3.8 Inventories

Inventories comprise raw materials, work-in-progress and finished goods and are stated at the lower of cost and net realizable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

3.9 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 the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. 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 original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognized in the consolidated income statement within administrative expenses. When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are recorded as other gains – net in the consolidated income statement.

3.10 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown in current liabilities on the balance sheet.

3.11 Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. Financial liabilities (including trade payables) are initially measured at fair value, and are subsequently measure at amortized cost, using the effective interest method. An equity instrument is any contract that does not meet the definition of financial liability and evidences a residual interest in the assets of the Group after deducting all of its liabilities.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. After initial recognition, an issuer of such a contract shall measure it at the higher of the best estimate of the obligation and the amount initially recognised less, when appropriate, cumulative amortisation calculated to recognize the fee income earned on a straight line basis over the life of the guarantee contract.

Ordinary shares are classified as equity. Incremental costs, net of tax, directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2008
(All amounts in United States dollars unless otherwise stated)

3. Summary of significant accounting policies (Continued)

3.12 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

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.

Borrowing costs are interest and other costs incurred by an entity in connection with the borrowing of funds. Borrowing costs shall be recognised as an expense in the period in which they are incurred.

3.13 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the consolidated income statement, except to the extent that it relates to items recognized directly in equity. In this case, the tax is also recognized in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

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

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2008
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3. Summary of significant accounting policies (Continued)

3.14 Employee benefits

(a) Pension obligations

Group companies operate a number of defined contribution plans, the assets of which are generally held in separate administered funds. The retirement plans are generally funded by payments from employees and by the relevant Group companies. A defined contribution plan is a pension plan under which the Group pays fixed contributions to publicly or privately administered pension insurance plans on a mandatory, contracted, or voluntary basis. Once the contribution have been paid, the Group has no legal or constructive obligations to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Details of the Group's employee retirement benefits are set out in note 33.

The Group's contributions to defined contribution pension plans are charged to the consolidated income statement in the period to which the contributions relate.

(b) Employee leave entitlements

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

(c) Share-based compensation

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. 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 is determined by reference to the fair value of the options granted, excluding the impact of any non-market service and performance vesting conditions (for example, profitability, sales growth targets and retaining an employee of the entity over a specified time period). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total amount expensed is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognizes the impact of the revision of original estimates, if any, in the consolidated income statement with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

However, as the share options issued under the share option scheme adopted by the Company were all granted before 7th November, 2002, HKFRS 2 is not applicable to the share options outstanding as at 31st December, 2008 according to the transitional provisions of HKFRS 2.

For the year ended 31st December, 2008
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3. Summary of significant accounting policies (Continued)

3.15 Provision

Provisions are recognized 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 the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

3.16 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of goods

Revenue from the sale of goods is recognized 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.

(b) Interest income

Interest income is recognized on a time-proportion basis using the effective interest method.

3.17 Leases (as the lessee)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor), including upfront payment made for leasehold land, are charged to the consolidated income statement on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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3. Summary of significant accounting policies (Continued)

3.18 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

4. Financial risk management

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow and fair value interest rate risk), credit risk, and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Risk management is carried out by a corporate finance unit in Singapore (CFU) under the supervision and guidelines approved by the Executive Committee (ExCo). CFU identifies and evaluates financial risks in close co-operation with the Group's operating units. The ExCo provides written guidelines for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest-rate risk, credit risk, use of non-derivative financial instruments, and investing of excess liquidity.

(a) Market risk

(i) Currency risk

Foreign exchange risk arises when future commercial translation or recognized assets and liabilities are denominated in a currency that is not the entity's functional currency. The Group mainly operates in Malaysia. The Group is exposed to foreign exchange risk primarily from Malaysian Ringgit with respect to United States dollars.

The Group has not used any forward contracts or currency borrowings to hedge its exposure as the cost-benefit is considered not effective.

As at 31st December, 2007 and 2008, certain of the Group's borrowings were denominated in United States dollars and Malaysian Ringgit, details of which have been disclosed in note 20. Malaysian Ringgit experienced certain depreciation in 2008 which is the major reason for the exchange gains for the Malaysian subsidiary whose trade creditors and trade facilities were denominated in Malaysian Ringgit recognized by the Group for the year ended 31st December, 2008. Further appreciation or depreciation of Malaysian Ringgit against United States dollars will affect the Group's financial position and results of operations.

At 31st December, 2008, if Malaysian Ringgit had weakened/strengthened by 5% against United States dollars, with all other variables held constant, post-tax profit for the year would have been $861,000 (2007: $643,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of Malaysian Ringgit denominated trade creditors and trade facilities balances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2008
(All amounts in United States dollars unless otherwise stated)

4. Financial risk management (Continued)

4.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets except for the cash and cash equivalents, details of which have been disclosed in note 14, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest-rate risk arises from long-term borrowings, details of which have been disclosed in note 20. Long-term borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Long-term borrowings issued at fixed rates expose the Group to fair value interest-rate risk. As at 31st December, 2008 and 2007, the Group's long-term borrowings at variable rate were denominated in United States dollars.

The Group's long-term borrowing at fixed rates was denominated in Singapore dollars, and exposed the Group to fair value interest-rate risk.

The Group analyzes and manages its interest rate exposure on an on-going basis taking into consideration refinancing, renewal of existing positions, and alternative financing, with the primary objectives of limiting the extent to which net interest expense could be impacted from an adverse movement in interest rates.

At 31st December, 2008, if interest rates on borrowings denominated United States dollars had been 20 basis points higher/lower with all other variables held constant, post-tax loss for the year would have been $65,000 (2007: $68,000) higher/lower, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

The carrying amounts of cash and cash equivalents, trade and other receivables and amounts due from an associate included in the consolidated balance sheet represent the Group's maximum exposure to credit risk in relation to its financial assets.

Substantially all of the Group's cash and cash equivalents are held in major financial institutions, which management believes are of high credit quality.

The Group is exposed to a relatively high concentration of credit risk in terms of receivable as the Group's sales to its five largest customers were more than 50% of its total sales for the year ended 31st December, 2008. The Group normally grants credit terms of not more than 180 days to existing customers without collaterals. Aging analysis of the Group's trade receivables is disclosed in note 12. Management makes periodic collective assessment as well as individual assessment on the recoverability of trade and other receivables based on historical payment records, the length of the overdue period, the financial strength of the debtors and whether there are any disputes with the relevant debtors. The Directors are of the opinion that adequate provision for uncollectible receivables has been made.

For the year ended 31st December, 2008
(All amounts in United States dollars unless otherwise stated)

4. Financial risk management (Continued)

4.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

During the years ended 31st December, 2008 and 2007, the Group's sales to top 5 customers accounted for approximately 52.35% and 44.40%, respectively of the total sales. Out of the top 5 customers, the Group's sales to the largest customer, an independent third party amounted to $16,248,000 (2007: $22,064,000) for the year ended 31st December, 2008. As at 31st December, 2008, trade receivable balance due from the largest customer amounted to $1,318,000 (2007: $7,952,000). The Group aims to maintain long-term relationship with reputable customers in the expansion of its business.

For other receivables and due from an associated company, the Group's management regularly monitors the balances, all these balances are due from counterparties with a strong financial positions.

(c) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its current obligations when they fall due. Prudent liquidity risk management includes sufficient cash and the ability to close out market positions.

Due to tight liquidity as a result of its previous unfavourable financial performance, the Group intends to maintain its strong business relationship with its bankers to gain their continuing support and is actively discussing with its bankers for committed credit facilities and the renewal of short term banking facilities when they fall due.

The table below analyzes the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 year $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000
Group				
At 31st December, 2008				
Borrowings	20,524	6,261	24,154	38,643
Trade and other payables	19,881	–	–	–
Bank overdrafts	2,521	–	–	–
At 31st December, 2007				
Borrowings	24,341	8,614	23,308	31,232
Trade and other payables	20,583	–	–	–
Company				
At 31st December, 2008				
Trade and other payables	529	–	–	–
At 31st December, 2007				
Trade and other payables	522	–	–	–

The management makes every possible effort to reduce the liquidity risk as described in note 2.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2008
(All amounts in United States dollars unless otherwise stated)

4. Financial risk management (Continued)

4.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group manages its operating cashflow in order to achieve optimum utilization and certain costs-cutting measures are implemented to streamline its operating costs.

The gearing ratios at 31st December, 2008 and 2007 were as follows:

	2008	2007
	$'000	$'000
Total borrowings *(Note 20)*	**67,330**	69,216
Less: Cash and cash equivalents *(Note 14)*	**(1,673)**	(5,744)
Net debt	**65,657**	63,472
Total equity	**8**	36,520
Total capital	**65,665**	99,992
Gearing ratio (net debt to total capital)	**100%**	63%

The increase in the gearing ratio during 2008 resulted primarily from the significant loss suffered by the Group. The Group monitors its current and expected liquidity requirements to ensure it maintains sufficient cash and cash equivalents and has available funding through adequate amount of committed credit facilities to meet its working capital requirements.

4.3 Fair value estimation

The carrying amounts of the Group's current financial assets, including cash and cash equivalents, trade and other receivables and the Group's current financial liabilities including trade and other payables and current borrowings approximate their fair values due to their short maturities.

The nominal values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2008
(All amounts in United States dollars unless otherwise stated)

5. Critical accounting estimates and assumptions

Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

5.1 Going concern

The Group's management's assessment of the going concern assumption involves making a judgment, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. Major events or conditions, which may give rise to business risks, that individually or collectively may cast significant doubt about the going concern assumption are set out in note 2 to the consolidated financial statements.

5.2 Useful lives of plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

5.3 Estimated impairment of property, plant and equipment

The Group assesses annually whether property, plant and equipment have an indication of impairment, in accordance with the accounting policy stated in note 3.6. The recoverable amounts of property, plant and equipment have been determined based on the value in use for Manuply Wood Industries (S) Sdn. Bhd. ("Manuply") and the Group's management's best estimates for Dalian Global. However, as explained in note 3.1(d), the Group's management has not obtained the accounting records and documents of Dalian Global and therefore is uncertain of the reasonableness of the estimates of the recoverable amounts.

For the purposes of impairment reviews on Manuply's property, plant and equipment, the recoverable amounts have been determined based on value-in-use calculations. These calculations require the use of judgments and estimates. Management judgment is required in the area of asset impairment particularly in assessing (i) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate; and (ii) preparing the budgets taking into account actual and prior year performance, expected unit price, sales volume, distribution cost, fixed and variable cost per unit and market performance. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to the profit and loss account.

During the year, the Group assessed the recoverable amount of property, plant and equipment and no impairment was determined.

5. Critical accounting estimates and assumptions (Continued)

5.4 Estimated provision for doubtful debts

The Group makes provision for doubtful debts based on an assessment of the recoverability of trade and bills receivable and other receivables. Provisions are applied to trade and bills receivable and other receivables where events or changes in circumstances indicate that the balances may not be collectible. Receivables that are individually significant are subject to separate impairment assessment, if there is objective evidence that the Group will not be able to collect the full amounts according to the original terms, a provision for impairment of the receivable is established at the difference between the carrying amount of the receivable and the present value of estimated future cash flows. Where the expectation is different from the original estimate, such difference will impact carrying value of trade and bills receivables and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

5.5 Estimated write-down of inventories to net realizable value

The Group write-down inventories to net realizable value on an assessment of the realizability of inventories. Write-downs on inventories are recorded where events or changes in circumstances indicate that the balances may not be fully realizable. The identification of write-downs requires the use of judgment and estimates. Where the expectation is different from the original estimate, such difference will impact carrying value of inventories in the year in which such estimate has been changed.

5.6 Accounting estimates related to Dalian Global

The Group made provision for doubtful debts, inventory provision, and impairment of property, plant and equipment, compensation to employees and provision for an onerous contract for Dalian Global. The identification of write-downs requires the use of judgment and estimates. As explained in note 3, these judgment and estimates were based on searches and enquiries up to the date of these accounts. Where the expectation is different from the original estimate, such difference will impact the carrying value of trade and other receivables, inventories, property, plant and equipment, provision for onerous contracts, other current liabilities and contingent liabilities as at 31st December, 2008 and results for the year in which such estimates change.

5.7 Recognition of deferred income tax

Deferred income tax assets are recognized to the extent it is probable that taxable profit will be available in future against which they can be utilized. Management also exercises judgment in assessing the likelihood that business plans will be achieved and that the deferred tax assets are recoverable.

The Group recognized deferred income tax assets of $11,597,000 related to Manuply's unutilized tax losses, capital allowance and reinvestment allowance. The unprovided deferred income tax assets related to Manuply's reinvestment allowance amounted to approximately $6,142,000 (Note 21).

In assessing recognition of deferred income tax assets related to Manuply, the assumptions used by the management are consistent with those used for impairment assessment of property, plant and equipment (see note 5.3). Additionally, in making this assessment management also considered the probability that future taxable income will be available to utilize deferred tax assets in the foreseeable future. The probability of taxable profits decreases over time.

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6. Segment information

Primary segment by geographical location of operations:

	2008						
	Continuing operations				Discontinued operation		
	Malaysia	Hong Kong	Others	Total	The PRC	Elimination	Consolidated
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Revenue							
– External	88,623	1,519	4,564	94,706	7,587	–	102,293
– Inter-segment	728	–	118	846	287	(1,133)	–
Total revenue	89,351	1,519	4,682	95,552	7,874	(1,133)	102,293
Result							
Segment result	(4,807)	104	(979)	(5,682)	(22,603)		(28,285)
Unallocated corporate expenses				(4,111)	–		(4,111)
Operating loss				(9,793)	(22,603)		(32,396)
Finance costs				(3,591)	(270)		(3,861)
Share of loss of an associate				(195)	–		(195)
Income tax				–	–		–
Loss attributable to the Company's equity holders				(13,579)	(22,873)		(36,452)
Assets							
Segment assets	60,913	376	16,484	77,773	6,561		84,334
Unallocated corporate assets				7,005	–		7,005
				84,778	6,561		91,339
Liabilities							
Segment liabilities	17,213	11	250	17,474	5,153		22,627
Unallocated corporate liabilities				64,529	4,175		68,704
				82,003	9,328		91,331
Other information							
Capital expenditure	2,692	9	5	2,706	6		2,712
Unallocated capital expenditure							–
							2,712
Depreciation	6,423	2	492	6,917	1,939		8,856
Amortization charge	31	–	–	31	–		31
Unallocated depreciation/amortization							16
							8,903

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6. Segment information (Continued)

	2007						
	Continuing operations				Discontinued operation		
	Malaysia	Hong Kong	Others	Total	The PRC	Elimination	Consolidated
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Revenue							
– External	100,865	2,505	5,616	108,986	22,977	–	131,963
– Inter-segment	479	–	291	770	23	(793)	–
Total revenue	101,344	2,505	5,907	109,756	23,000	(793)	131,963
Result							
Segment result	9,792	168	3,430	13,390	(4,738)		8,652
Unallocated corporate expenses				(4,317)	–		(4,317)
Operating profit/(loss)				9,073	(4,738)		4,335
Finance costs				(4,439)	(429)		(4,868)
Income tax credit				1,801	–		1,801
Profit/(Loss) attributable to the Company's equity holders				6,435	(5,167)		1,268
Assets							
Segment assets	72,652	600	19,087	92,339	28,998		121,337
Unallocated corporate assets				7,894	(55)		7,839
				100,233	28,943		129,176
Liabilities							
Segment liabilities	16,931	53	388	17,372	5,346		22,718
Unallocated corporate liabilities				64,607	5,331		69,938
				81,979	10,677		92,656
Other information							
Capital expenditure	2,892	–	26	2,918	1,149		4,067
Unallocated capital expenditure							–
							4,067
Depreciation	6,798	1	408	7,207	1,749		8,956
Amortization charge	31	–	–	31	–		31
Unallocated depreciation/amortization							29
							9,016

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For the year ended 31st December, 2008
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6. Segment information (Continued)

Secondary segment by products:

	2008				2007			
	Revenue $'000	Operating loss $'000	Assets $'000	Capital expenditure $'000	Revenue $'000	Operating profit/(loss) $'000	Assets $'000	Capital expenditure $'000
Continuing operations:								
Flooring	20,367	(1,091)	9,726	431	23,710	2,211	11,636	463
Structural	1,457	(147)	–	–	1,594	(72)	–	–
Moisture resistant plywood	18,684	(788)	8,842	391	27,058	2,557	15,064	600
Jamb and mouldings	2,021	(204)	–	–	3,648	764	769	–
Weather and boil proof plywood	51,783	(2,685)	35,199	1,558	52,786	5,124	36,526	1,454
Others	394	(36)	7,053	312	190	13	11,172	375
Unallocated	–	(4,842)	23,958	14	–	(1,524)	25,066	26
Sub-total	94,706	(9,793)	84,778	2,706	108,986	9,073	100,233	2,918
Discontinued operation:								
Structural	1,482	(4,414)	1,561	1	9,426	(1,508)	14,469	528
Jamb and mouldings	3,885	(11,574)	4,010	4	10,145	(2,742)	14,474	557
Others	2,220	(6,615)	990	1	3,406	(488)	–	64
Sub-total	7,587	(22,603)	6,561	6	22,977	(4,738)	28,943	1,149
Total	102,293	(32,396)	91,339	2,712	131,963	4,335	129,176	4,067

Note: The PRC business of the Group was discontinued during 2008 (Note 15).

7. Leasehold land – Group

The Group's interests in leasehold land represent prepaid operating lease payments and their net book value is analyzed as follows:

	2008 $'000	2007 $'000
Outside Hong Kong, held on:		
Malaysia – Leases of over 50 years	2,928	2,958

The leasehold land of the Group with a net book value of approximately $2,928,000 (2007 – $2,958,000) has been pledged as security for certain banking facilities of the Group (Note 32(b)).

	2008 $'000	2007 $'000
At 1st January	2,958	2,989
Amortization of prepaid operating lease payment	(31)	(31)
Exchange differences	1	–
At 31st December	2,928	2,958

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8. Investments in and amounts due from/to subsidiaries – Company

(a) Investments in subsidiaries

	2008 $'000	2007 $'000
Investments at cost – unlisted shares	**30,529**	30,529
Less: Provision for impairment	**(9,776)**	–
	20,753	30,529

The impairment is related to the Company's investments to the subsidiaries, Ankan Holdings Limited and Ankan (China) Holdings Limited, whose shares are directly held by the Company, which suffered losses for the year ended 31st December, 2008.

The following is a list of the principal subsidiaries at 31st December, 2008:

Name	**Place of incorporation**	**Principal activities and place of operation**	**Particulars of issued share capital/ paid up capital**	**Interest held**
Ankan Holdings Limited	British Virgin Islands ("BVI")	Investment holding, BVI	$45,000	*100%
Ankan (China) Holdings Limited	BVI	Investment holding, BVI	$100	*100%
Dalian Global Wood Products Company Limited	PRC, co-operative joint venture Note 1	Discontinued, The PRC	$29,600,000	**100%
Daunting Services Ltd.	BVI	Trading of plywood and other related products, Singapore	$50,000	**100%
Glowing Schemes Sdn. Bhd.	Malaysia	Dormant, Malaysia	Malaysian Ringgit 1,200,000	**100%
Georich Trading Limited	BVI	Trading of veneer and plywood, Hong Kong	$2,510,000	*100%
Manuply Wood Industries (S) Sdn. Bhd.	Malaysia	Manufacture and sale of veneer and plywood, Malaysia	Malaysian Ringgit 55,000,000	**100%
Pacific Plywood Limited	Samoa	Trading of plywood and other wood products, Hong Kong	$3,000,000	**100%

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8. Investments in and amounts due from/to subsidiaries – Company (Continued)

(a) Investments in subsidiaries (Continued)

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued share capital/ paid up capital	Interest held
Sevier Pacific Limited Note 2	BVI	Investment holding, BVI	$100	**100%
SMI Global Corporation	United States of America	Trading of wood products, United States of America	$1,000	**100%
SMI Management & Co. Pte. Ltd.	Singapore	Property holding and provision of management service, Singapore	Singapore dollars 20,000,000	**100%
Sino Realm Investments Limited	BVI	Investment holding, BVI	$1	**100%

* *Shares held directly by the Company.*
** *Shares held indirectly by the Company.*

Notes:

1. 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.

   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 for the use of the land and premises by Dalian Global but is not entitled to otherwise share in the profit and net assets of the joint venture. Such pre-determined annual fee is accounted for as expense in the consolidated income statement.

   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.

   In November 2008, the Board decided to discontinue Dalian Global's operation (Note 15).

2. On 18th April, 2008, Ankan Holdings Limited acquired 100% of the share capital of Sevier Pacific Limited ("SPL") from an independent third party (Note 34).

(b) Amounts due from and due to subsidiaries

The amounts due from and due to subsidiaries are unsecured, interest free, denominated in United States dollars and repayable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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9. Property, plant and equipment – Group

	Buildings	Leasehold improve-ments	Plant and machinery	Furniture, fittings and equipment	Motor vehicles	Jetty	Construction-in-progress ("CIP")	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1st January, 2007								
Cost	37,600	531	133,768	3,056	1,374	1,563	40	177,932
Accumulated depreciation	(8,613)	(338)	(78,226)	(2,403)	(1,026)	(419)	–	(91,025)
Accumulated impairment loss	(2,261)	–	(10,275)	–	–	–	–	(12,536)
Net book amount	26,726	193	45,267	653	348	1,144	40	74,371
Year ended 31st December, 2007								
Opening net book amount	26,726	193	45,267	653	348	1,144	40	74,371
Exchange differences	1,194	8	629	22	11	–	9	1,873
Additions	–	–	1,661	82	–	–	2,324	4,067
Disposals *(Note 29)*	–	–	(829)	(5)	(2)	–	–	(836)
Transfers	–	–	(40)	40	–	–	–	–
Depreciation	(1,219)	(65)	(7,460)	(138)	(72)	(31)	–	(8,985)
Write-back of impairment loss	2,301	–	1,061	–	–	–	–	3,362
Closing net book amount	29,002	136	40,289	654	285	1,113	2,373	73,852
At 31st December, 2007								
Cost	39,140	561	131,167	3,053	1,376	1,563	2,373	179,233
Accumulated depreciation	(10,138)	(425)	(81,135)	(2,399)	(1,091)	(450)	–	(95,638)
Accumulated impairment loss	–	–	(9,743)	–	–	–	–	(9,743)
Net book amount	29,002	136	40,289	654	285	1,113	2,373	73,852
Year ended 31st December, 2008								
Opening net book amount	**29,002**	**136**	**40,289**	**654**	**285**	**1,113**	**2,373**	**73,852**
Exchange differences	**288**	**2**	**420**	**16**	**8**	**(1)**	**12**	**745**
Additions	**11**	**9**	**192**	**31**	**28**	**–**	**2,441**	**2,712**
Disposals *(Note 29)*	**–**	**(6)**	**(125)**	**(3)**	**–**	**–**	**–**	**(134)**
Transfers	**46**	**–**	**2,043**	**(4)**	**–**	**–**	**(2,085)**	**–**
Depreciation	**(1,310)**	**(62)**	**(7,267)**	**(132)**	**(70)**	**(31)**	**–**	**(8,872)**
Impairment	**–**	**–**	**(6,314)**	**–**	**–**	**–**	**–**	**(6,314)**
Closing net book amount	**28,037**	**79**	**29,238**	**562**	**251**	**1,081**	**2,741**	**61,989**
At 31st December, 2008								
Cost	**39,603**	**522**	**133,097**	**3,050**	**1,323**	**1,563**	**2,741**	**181,899**
Accumulated depreciation	**(11,566)**	**(443)**	**(87,264)**	**(2,488)**	**(1,072)**	**(482)**	**–**	**(103,315)**
Accumulated impairment loss	**–**	**–**	**(16,595)**	**–**	**–**	**–**	**–**	**(16,595)**
Net book amount	**28,037**	**79**	**29,238**	**562**	**251**	**1,081**	**2,741**	**61,989**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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9. Property, plant and equipment – Group (Continued)

Depreciation expense of $7,518,000 (2007 – $8,271,000) has been charged in "cost of sales" and $1,354,000 (2007 – $714,000) in "administrative expenses", respectively.

Certain buildings of the Group with a net book value of approximately $3,534,000 (2007 – $3,811,000) represented buildings of Dalian Global, which are located on land belonging to the Chinese joint venture partner of Dalian Global.

Certain property, plant and equipment of the Group with a net book value of approximately $57,528,000 (2007 – $67,570,000) have been pledged as security for certain banking facilities of the Group (Note 32(a)).

Certain plant and equipment of the Group with a net book value of approximately $615,000 (2007 – $747,000) were purchased under finance leases.

Provision for impairment of approximately $6,314,000 (2007 – a write-back of impairment loss of $3,362,000) has been recognized in the consolidated income statement for the year ended 31st December, 2008, which represented impairment for Dalian Global of approximately $5,884,000 (Note 15(b)) and impairment for Manuply of approximately $430,000. The recoverable amounts of the property, plant and equipment of Dalian Global and Manuply are based on the management's best estimates and value in use respectively.

10. Interests in an associate – Group

	2008 $'000	2007 $'000
At 1st January	**–**	–
Acquisition that had an investment in an associated company *(Note 34)*	**476**	–
Share of loss	**(195)**	–
Equity interest in an associated company	**281**	–
Due from an associated company	**700**	–
At 31st December	**981**	–

The Group's share of the results of its principal associate, all of which are unlisted, and its aggregated assets and liabilities, are as follows:

Name	**Country of incorporation**	**Assets $'000**	**Liabilities $'000**	**Revenues $'000**	**Loss $'000**	**Interest held**
2008						
Segereka Sdn. Bhd.	Malaysia	1,786	1,196	295	(396)	49%

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11. Deposit for acquisition of an investment

In August 2007, the Group entered into a conditional agreement with an independent third party in connection with the acquisition of 49% interest in certain 40,000 acres logging concession in Malaysia. Total consideration for the above-mentioned acquisition was $2,000,000. Upon execution of the agreement, the Group paid a refundable deposit of $1,500,000 and the balance of $500,000 should be paid upon completion.

In April 2008, the Group entered into a supplemental agreement with the independent third party and completed the acquisition of 100% of the share capital of SPL, a company holding 49% interest in a limited company incorporated in Malaysia, which has certain interest in 10,000 acres logging concession in Malaysia. According to the supplemental agreement, the completion of the acquisition of 49% interest in the remaining 30,000 acres logging concession in Malaysia shall be completed within 12 months from the date of the supplemental agreement. On a pro-rata basis, $500,000 of the refundable deposit paid was utilized to acquire SPL and was accounted for as cost of investment in subsidiaries (Note 34). Since the balance of the refundable deposit in the amount of $1,000,000 was paid for the proposed acquisition of an investment, which was intended to be held for long-term, the deposit was classified as non-current assets.

Due to the political uncertainty in Malaysia resulting from the year 2008 general elections coupled with the continued worsening of the global financial crisis, the progress of the acquisition of the remaining 30,000 acres concession in Malaysia has been slow. However, the Group is determined to secure a more steady supply of logs in the future and had entered into a supplemental agreement to extend the completion date to 14th April, 2010.

12. Trade and other receivables

(a) Group

	2008	2007
	$'000	$'000
Trade receivables	**10,343**	13,957
Bill receivables	**481**	2,727
Less: provision for impairment of trade receivables	**(7,452)**	(660)
Trade receivables – net	**3,372**	16,024
Other receivables		
Value-added tax refund receivable	**14**	330
Prepayments	**465**	1,824
Other receivables	**823**	817
Less: provision for other receivables	**(22)**	–
Other receivables – net	**1,280**	2,971
Total trade and other receivables	**4,652**	18,995

The carrying amounts of trade and other receivables approximate their fair value.

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For the year ended 31st December, 2008
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12. Trade and other receivables (Continued)

(a) Group (Continued)

As at 31st December, 2008, trade receivables amounting to approximately $209,000 (2007: $4,649,000) were subject to floating charges as collateral for certain banking facilities of the Group (Note 32(d)).

Certain subsidiaries of the Group negotiated receivable balances on a with recourse basis with banks for cash during the year ended 31st December, 2008 and the outstanding amount as at 31st December, 2008 was $229,000 (2007: $2,635,000). The transactions have been accounted for as collateralized borrowings (Note 20).

As at 31st December, 2008, prepayments and other receivables amounting to approximately $670,000 (2007: $1,500,000) were subject to floating charges as collateral for certain banking facilities of the Group (Note 32(e)).

The majority of the Group's sales are on letter of credit or documents against payment. At 31st December, 2008 and 2007, the aging analysis of the trade receivables were as follows:

	2008	2007
	$'000	$'000
0 – 30 days	**2,269**	8,867
31 – 60 days	**442**	2,033
61 – 90 days	**3**	1,257
91 – 180 days	**1,110**	762
181 – 360 days	**5,852**	17
Over 360 days	**667**	1,021
	10,343	13,957

The credit quality of trade receivables that are not impaired can be assessed by reference to historical information about counterparty default rates:

	2008	2007
	$'000	$'000
Counterparties without external credit rating		
Group 1	**205**	1,198
Group 2	**2,686**	12,099
	2,891	13,297

Group 1 – new customers
Group 2 – existing customers

For the existing customers, the risk of events of defaults is considered low.

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For the year ended 31st December, 2008
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12. Trade and other receivables (Continued)

(a) Group (Continued)

As of 31st December, 2008, trade receivables of $395,000 (2007: $1,098,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade receivables is as follows:

	2008 **$'000**	2007 $'000
Up to 3 months	**206**	520
3 to 6 months	**–**	200
6 months to 1 year	**168**	16
Over 1 year	**21**	362
	395	1,098

As of 31st December, 2008, trade receivables of $7,452,000 (2007: $660,000) were impaired and provided for. The individually impaired receivables mainly relate to customers, which are in unexpected difficult economic situations. The aging of these receivables is as follows:

	2008 **$'000**	2007 $'000
Less than 3 months	**15**	–
Over 3 months but within 6 months	**1,107**	–
Over 6 months	**6,330**	660
	7,452	660

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For the year ended 31st December, 2008
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12. Trade and other receivables (Continued)

(a) Group (Continued)

The carrying amounts of the Group's trade receivables and other receivables are denominated in the following currencies:

	2008 $'000	2007 $'000
Trade receivables		
United States dollars	**3,132**	15,532
Chinese Renminbi	**31**	275
Malaysian Ringgit	**209**	217
	3,372	16,024
Other receivables		
United States dollars	**309**	840
Hong Kong dollars	**38**	31
Chinese Renminbi	**263**	600
Malaysian Ringgit	**670**	1,500
	1,280	2,971
Trade and other receivables	**4,652**	18,995

Movements on the provision for impairment of trade receivables are as follows:

	2008 $'000	2007 $'000
At 1st January	**660**	2,981
Provision for receivable impairment	**6,711**	–
Receivables written off during the year as uncollectible	**(13)**	(15)
Unused amounts reversed	**–**	(2,315)
Exchange difference	**94**	9
At 31st December	**7,452**	660

Provision for impaired receivables has been included in administrative expense (Note 23) and release of provision for impaired receivables has been included in 'other gains – net' in the income statement (Note 22). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

Provision for receivable impairment of $6,711,000 (2007 – Nil) has been recognized, represented provision for Dalian Global of approximately $6,433,000 (Note 15(b)) and provision for other entities of approximately $278,000.

The other classes within trade and other receivables do not contain impaired assets.

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12. Trade and other receivables (Continued)

(a) Group (Continued)

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group does not hold any collateral as security.

(b) Company

	2008 $'000	2007 $'000
Prepayments	**57**	57
Other receivables	**2**	2
Less: provision for other receivables	**–**	–
Other receivables – net	**59**	59
Total trade and other receivables	**59**	59

13. Inventories – Group

	2008 $'000	2007 $'000
Raw materials	**4,800**	5,708
Work-in-progress	**3,334**	8,043
Finished goods	**5,175**	7,355
	13,309	21,106

The cost of inventories recognized as expense and included in "cost of sales" amounted to $55,997,000 (2007 – $54,293,000) from continuing operations and $8,653,000 (2007 – $23,457,000) from discontinued operation (Note 23).

As at 31st December, 2008, inventories amounting to approximately $13,116,000 (2007 – $13,249,000) were subject to floating charges as collateral for certain banking facilities of the Group (Note 32(c)).

The Group reversed approximately $46,000 (2007 – $118,000) of a previous inventory write-down in the year of 2008. The amount reversed has been included in "cost of sales" in the consolidated income statement.

The Group made provision of $6,012,000 (2007 – $678,000) for the year ended 31st December, 2008, which represented provision for Dalian Global of approximately $4,935,000 (Note 15) and impairment for Manuply of approximately $1,077,000. The amount provided for has been included in "cost of sales" in the consolidated income statement.

For the year ended 31st December, 2008
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14. Cash and cash equivalents – Group and Company

	Group		Company	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Cash at bank and in hand	**1,673**	5,744	**17**	29
Denominated in:				
United States dollars	**975**	3,615	**–**	–
Malaysian Ringgit	**554**	1,110	**–**	–
Singapore dollars	**94**	720	**–**	–
Hong Kong dollars	**46**	206	**17**	29
Chinese Renminbi	**4**	93	**–**	–
	1,673	5,744	**17**	29

Certain bank balances of the Group of approximately $566,000 (2007 – $1,138,000) were subject to floating charges as collateral for certain banking facilities of the Group (Note 32(f)).

Cash, cash equivalents and bank overdrafts include the following for the purposes of the cash flow statement:

	Group		Company	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Cash and cash equivalents	**1,673**	5,744	**17**	29
Bank overdrafts *(Note 20)*	**(2,521)**	–	**–**	–
	(848)	5,744	**17**	29

Cash and bank and short-term bank deposits

	Group		Company	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Credit rating*				
A-	**1,156**	4,848	**17**	29
BBB-	**2**	32	**–**	–
Without Rating	**515**	864	**–**	–
	1,673	5,744	**17**	29

**Source: from the website of Standard & Poor's*

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15. Discontinued operation

As a result of the recent worldwide financial turmoil, the operating environment of the PRC subsidiary, Dalian Global, has become more challenging. Accordingly, after due consideration of the interests of the Group, the Board decided in November 2008 to discontinue the operation of Dalian Global.

(a) Analysis of the financial position of Dalian Global which has been included in the Group's consolidated financial statements as at 31st December, 2008 is as follows:

	2008 **$'000**	2007 $'000
Fixed assets	**6,107**	13,229
Current assets excluding intercompany receivables	**454**	15,714
Intercompany receivables	**–**	69
Current liabilities excluding intercompany payables	**(9,328)**	(10,677)
Intercompany payables	**(16,254)**	(14,435)
Net current liabilities	**(25,128)**	(9,329)
Net (liabilities)/assets	**(19,021)**	3,900
Net (liabilities)/assets excluding intercompany balances	**(2,767)**	18,266

As explained in note 3.1(d), the Group has made the necessary estimates and adjustments to Dalian Global's management accounts based on all other available information after making reasonable searches and enquiries up to the date of these accounts. Based on the information currently available to the Group, management is not aware of any further liabilities of Dalian Global which may affect the financial position of the Group. However, because the Group's management did not have access to Dalian Global's accounting records and related supporting documents, it is uncertain whether all appropriate estimates and adjustments have been made.

Dalian Global is a limited liability company incorporated under the laws of the PRC and its immediate holding company is a limited liability company incorporated under the laws of the British Virgin Islands. The Company and its other subsidiaries have not guaranteed any debts or liabilities of Dalian Global or its immediate holding company, and hence management is of the view that the Company and its other subsidiaries will have no further liabilities in relation to Dalian Global.

15. Discontinued operation (Continued)

(b) Analysis of the financial results of Dalian Global for the year ended 31st December, 2008 is as follows:

	Year ended 31st December	
	2008	2007
	$'000	$'000
Revenue	**7,587**	22,977
Cost of sales	**(9,937)**	(26,573)
Provision of inventories to net realizable value	**(4,935)**	(620)
Distribution costs	**(287)**	(399)
Administrative expenses	**(3,032)**	(994)
Other gains – net	**318**	871
Provision of impairment of receivables	**(6,433)**	–
Provision for impairment losses on property, plant and equipment	**(5,884)**	–
Finance costs	**(270)**	(429)
	(30,460)	(28,144)
Loss before income tax from discontinued operation	**(22,873)**	(5,167)
Income tax	**–**	–
Loss for the year from discontinued operation	**(22,873)**	(5,167)

(c) Analysis of the cash flow of Dalian Global for the year ended 31st December, 2008 is as follows:

	2008	2007
	$'000	$'000
Operating cash flows	**2,063**	2,006
Investing cash flows	**(1)**	(1,146)
Financing cash flows	**(1,277)**	(812)
Exchange difference	**(888)**	(378)
Total cash flows	**(103)**	(330)

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16. Ordinary shares – Group and Company

	Number of shares		Amount	
	2008	2007	**2008**	2007
	'000	'000	**$'000**	$'000
Authorized –				
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	**1,327,779**	1,327,779	**4,278**	4,278

(a) Movement of Issued and fully paid ordinary shares

	Number of shares '000	Amount $'000
At 1st January, 2007, as per above	1,116,179	3,598
Issuance of new shares *(Note 16(b))*	211,600	680
At 31st December, 2007 and 2008	1,327,779	4,278

(b) Issuance of new shares

In May 2007, the Company completed a placement of 111,600,000 new shares to independent third parties and received gross proceeds of HK$33,480,000 (US$4,244,000 equivalent). This amount was used as general working capital of the Group.

In October 2007, Precious Win Group Limited, indirectly owned by The Pease Trust, where Dr. Budiono Widodo, a Director and the Chairman of Company and Mr. Sardjono Widodo, the Managing Director of the Company, are named beneficiaries, completed a placement of 100,000,000 existing Shares to not less than six independent third parties at the Placing Price of HK$0.32 per Placing Share. Upon successful completion of the placement of existing shares, Precious Win Group Limited subscribed for 100,000,000 New Shares, which equal to the number of placing shares at HK$0.32 per Subscription Share. The gross proceeds of the Subscription of approximately HK$32,000,000 (US$4,088,000 equivalent) have been applied for general working capital of the Group.

(c) Share Options

Before the listing of the Company's shares on the Stock Exchange on 20th November, 1995, the Company adopted a share option scheme for employees on 17th October, 1995 ("Pre-IPO Option Scheme").

In compliance with the amended Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange, the Company terminated the Pre-IPO Option Scheme and adopted the current share option scheme (the "Scheme"), as approved by shareholders at the Annual General Meeting on 21st June, 2002. Upon the said termination, no further options could be granted under the Pre-IPO Option Scheme but in all other respects, the provisions of the Pre-IPO Option Scheme should remain in force and all outstanding options granted prior to the termination should continue to be valid and exercisable. Details of the Scheme have been set out in the "Letter from the Board" dated 13th May, 2002.

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16. Ordinary shares – Group and Company (Continued)

(c) Share Options (Continued)

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 Stock Exchange'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 Stock Exchange'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.

No share option has been granted under the Scheme. Details of the share options granted under the Pre-IPO Option Scheme in 1999 and outstanding as at 31st December, 2008 were as follows:

				Number of shares to be issued under options granted under share option scheme
Name	**Date of Grant**	**Exercise Period**	**Exercise price per share**	**Beginning and End of year**
Mr. Liao Yun Kuang	26/8/1999	14/3/2000 to 13/3/2010	HK$0.71	7,425,600
Continuous Contract Employees	26/8/1999	14/3/2000 to 13/3/2010	HK$0.71	3,003,000
				10,428,600

17. Other reserves

(a) Group

	Contributed surplus $'000	Translation $'000	Total $'000
At 1st January, 2007	7,250	(3,202)	4,048
Currency translation differences	–	880	880
At 31st December, 2007	7,250	(2,322)	4,928
Currency translation differences	–	(60)	(60)
At 31st December, 2008	**7,250**	**(2,382)**	**4,868**

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17. Other reserves (Continued)

(a) Group (Continued)

The contributed surplus of the Group as at 31st December, 2007 and 2008 represented (i) the waiver in 1995 of an amount due to Directors and the difference between the net assets of the subsidiaries acquired pursuant to a group reorganization in 1995 over the nominal value of the Company's consideration in exchange therefore, and (ii) the increase of the contributed surplus from capital reduction and share premium cancellation during the year ended 31st December, 2006, and (iii) during the year ended 31st December, 2006, the decrease of the contributed surplus being set off against the accumulated losses of the Company as at 31st December, 2005.

(b) Company

	Contributed surplus $'000
At 1st January, 2007 and 31st December, 2007 and 2008	20,581

The contributed surplus of the Company as at 31st December, 2007 and 2008 represents (i) the difference between the net assets of the subsidiaries acquired pursuant to a group reorganization in 1995 over the nominal value of the Company's consideration in exchange therefore, (ii) increase from the capital reduction and share premium cancellation during the year ended 31st December, 2006, and (iii) decrease from the set off against the accumulated losses as at 31st December, 2005 of the Company during the year ended 31st December, 2006.

As at 31st December, 2008, approximately $8,964,000 (2007: $20,123,000) of the Company's reserves was available for distribution to its shareholders.

18. Minority interest in equity

Minority interest represents the preference shares issued by a subsidiary to a third party. The preference shares do not have any redemption features and dividends are payable at the discretion of the Group. Further, no profit/loss is attributable to the preference shareholder in accordance with the terms of the preference shares.

19. Trade and other payables

(a) Group

	2008 **$'000**	2007 $'000
Trade payables	**17,890**	18,509
Accrued expenses	**3,407**	2,759
Provision for an onerous contract	**615**	–
Salary and welfare payable	**1,181**	1,415
Others	**810**	659
	23,903	23,342

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19. Trade and other payables (Continued)

(a) Group (Continued)

The provision for an onerous contract represents provision recorded in relation to the annual fee paid to the PRC joint venture partner by Dalian Global upon discontinuation of Dalian Global in November 2008 (Note 15). The provision is established based on the management's best estimates.

As at 31st December, 2008, the aging analysis of the trade payables is as follows:

	2008	2007
	$'000	$'000
0 – 30 days	**4,013**	8,204
31 – 60 days	**4,575**	4,542
61 – 90 days	**1,332**	3,858
91 – 180 days	**3,434**	1,642
181 – 360 days	**4,536**	244
Over 360 days	**–**	19
	17,890	18,509

(b) Company

	2008	2007
	$'000	$'000
Accrued expenses	**188**	148
Salary and welfare payable	**528**	522
	716	670

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20. Borrowings and bank overdrafts – Group

	2008 **$'000**	2007 $'000
Non-current		
Bank borrowings	**48,830**	48,197
Finance lease liabilities	**117**	222
	48,947	48,419
Current		
Banker's acceptance and other banking facilities	**12,055**	10,587
Bank borrowings		
– short term bank borrowings	**1,675**	2,071
– current portion of long term bank borrowings	**1,735**	5,303
Collateralized borrowings *(Note 12)*	**229**	2,635
Finance lease liabilities	**168**	201
	15,862	20,797
Bank overdrafts *(Note 14)*	**2,521**	–
Total borrowings and bank overdrafts	**67,330**	69,216

(a) Bank borrowings

The long term bank borrowings bore interest at commercial banking rates ranging from 4.25% to 6.41% (2007 – 5.00% to 8.50%) 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 two Directors of the Company.

The short term bank borrowings bore interest at commercial banking rates ranging from 3.69% to 8.13% (2007 – 3.63% to 6.98%) 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 two Directors of the Company.

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20. Borrowings and bank overdrafts – Group (Continued)

(a) Bank borrowings (Continued)

At 31st December, 2008, the Group's bank borrowings were repayable as follows:

	2008 **$'000**	2007 $'000
Within 1 year	**1,735**	5,303
between 1 and 2 years	**2,487**	5,318
between 2 and 5 years	**15,070**	16,039
Wholly repayable within 5 years	**19,292**	26,660
Over 5 years	**31,273**	26,840
	50,565	53,500
Less: Amount due within 1 year included in current liabilities	**(1,735)**	(5,303)
	48,830	48,197

The effective interest rates for the borrowings and bank overdrafts at the balance sheet date were as follows:

	2008			
	Chinese Renminbi	**Singapore dollars**	**United States dollars**	**Malaysian Ringgit**
Bank overdrafts	–	–	P + 0.75%	BLR + 1.50%
Bank borrowings	Fixed rate 6.39%	Fixed rate 3.50%	SIBOR + 2.00%	–
Trade facilities	–	–	LIBOR + 2.50%	3.69%

	2007			
	Chinese Renminbi	Sinagpore dollars	United States dollars	Malaysian Ringgit
Bank borrowings	Fixed rate 6.39%	Fixed rate 5.00%	SIBOR + 2.00%	–
Trade facilities	–	–	LIBOR + 2.50%	3.73%

BLR : Base Lending Rate
P : Prime Rate
SIBOR : Singapore Interbank Offered Rate
LIBOR : London Interbank Offered Rate

The fair values of current borrowings approximately equal their carrying amounts, as the impact of discounting is not significant. The fair values of non-current borrowings approximate their carrying amounts and are based on cash flows discounted using a rate based on the annual borrowings rate of 4.25% to 6.41% (2007: 5.00% to 8.50%).

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20. Borrowings and bank overdrafts – Group (Continued)

(a) Bank borrowings (Continued)

The carrying amounts of the borrowings are denominated in the following currencies:

	2008 $'000	2007 $'000
United States dollars	**49,065**	52,451
Singapore dollars	**6,750**	6,946
Malaysian Ringgit	**9,840**	7,748
Chinese Renminbi	**1,675**	2,071
	67,330	69,216

The Group has the following undrawn borrowing facilities:

	2008 $'000	2007 $'000
Floating rate		
– expiring within one year	**500**	490
– expiring beyond one year	**9,041**	8,462
	9,541	8,952

The facilities expiring within one year are annual facilities subject to review at various dates during 2009.

(b) Finance lease liabilities

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

	2008 $'000	2007 $'000
Gross finance lease liabilities – minimum lease payments		
No later than 1 year	**181**	224
Later than 1 year and no later than 5 years	**120**	235
	301	459
Future finance charges on finance leases	**(16)**	(36)
Present value of finance lease liabilities	**285**	423
The present value of finance lease liabilities is as follows:		
No later than 1 year	**168**	201
Later than 1 year and no later than 5 years	**117**	222
	285	423

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21. Deferred income tax – Group

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxed levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

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

	2008 **$'000**	2007 $'000
Deferred income tax assets		
– Deferred income tax asset to be recovered after more than 12 months	**11,597**	13,507
Deferred income tax liabilities		
– Deferred income tax liabilities to be recovered after more than 12 months	**(6,790)**	(8,486)
Deferred income tax assets (net)	**4,807**	5,021

The deferred income tax assets recognized in the consolidated balance sheet as at 31st December, 2008 related to Manuply which was profitable for the year ended 31st December, 2007 but was in a loss position for the year ended 31st December, 2008. The Directors are of the view that Manuply will generate sufficient taxable profit in future to fully utilize the deferred income tax assets.

The gross movement on the deferred income tax account is as follows:

	2008 **$'000**	2007 $'000
At 1 January	**5,021**	4,701
Exchange differences	**(370)**	305
Exchange tax rate effect	**156**	–
Consolidated income statement charge *(Note 26)*	**–**	15
At 31st December	**4,807**	5,021

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(All amounts in United States dollars unless otherwise stated)

21. Deferred income tax – Group (Continued)

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Accelerated tax depreciation	
	2008	2007
	$'000	$'000
Deferred tax liabilities		
At 1st January	**8,486**	11,017
Tax rate effect	**(290)**	–
Exchange differences	**(363)**	1,131
Credited to consolidated income statement *(Note 26)*	**(1,043)**	(3,662)
At 31st December	**6,790**	8,486

	Tax losses and unused tax credits	
	2008	2007
	$'000	$'000
Deferred tax assets		
At 1st January	**13,507**	15,718
Tax rate effect	**(134)**	–
Exchange differences	**(733)**	1,436
Charged to consolidated income statement *(Note 26)*	**(1,043)**	(3,647)
At 31st December	**11,597**	13,507

Deferred tax assets are recognized for tax loss and unused tax credits carried forward to the extent that realization of the related tax benefit through the future taxable profits is probable. As at 31st December, 2008, a subsidiary of the Group has tax losses of approximately $511,000 (2007 – $484,000) and unused tax credits of approximately $45,873,000 (2007 – $51,465,000) to be carried forward to offset against future taxable income. These tax losses and tax credits have no expiry date.

Deferred tax liabilities represent the taxation effect of accelerated tax depreciation. As at 31st December, 2008, a subsidiary of the Group has taxable temporary differences of approximately $27,159,000 (2007 – $32,638,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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21. Deferred income tax – Group (Continued)

As at 31st December, 2008, major unprovided deferred tax assets of the Group are as follows:

	2008 $'000	2007 $'000
Relating to:		
– Tax losses	**3,499**	2,888
– Impairment provision	**2,533**	1,227
– Reinvestment allowance	**6,142**	3,358
– Provision for doubtful debts	**1,608**	–
– Provision for inventory	**1,234**	–
– Others	**291**	–
	15,307	7,473

These unprovided deferred income tax assets are mainly generated from the Group's Malaysian subsidiary, Manuply and the PRC subsidiary, Dalian Global.

22. Other gains – net

	2008 $'000	2007 $'000
Continuing operations:		
Net foreign exchange gains/(losses)	**858**	(1,265)
Interest income	**11**	41
Write-back of provision for bad debts	**–**	2,553
Gain on disposal of property, plant and equipment	**38**	1,245
Rental income	**418**	142
Others	**470**	202
	1,795	2,918
Discontinued operation:		
Net foreign exchange gains	**298**	669
Interest income	**5**	2
Loss on disposal of property, plant and equipment	**–**	(6)
Others	**15**	206
	318	871
	2,113	3,789

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23. Expenses by nature

Expenses included in cost of sales, distribution costs and administrative expenses are analyzed as follows:

	2008 **$'000**	2007 $'000
Continuing operations:		
Amortization of leasehold land *(Note 7)*	**31**	31
Auditors' remuneration	**390**	296
Changes in inventories of finished goods and work in progress	**599**	(3,326)
Depreciation and amortization *(Note 9)*		
– owned assets	**6,884**	7,188
– assets held under finance leases	**49**	48
Directors' emoluments *(Note 24(a))*	**840**	915
Employee benefit expense (excluding Directors' emoluments)		
– Wages and salaries *(Note 24)*	**2,574**	2,430
– Social security and pension costs *(Note 24)*	**187**	154
Freight and other related charges	**11,255**	11,234
Operating lease expenses on land, buildings and machinery	**126**	139
Provision for impairment of receivables	**300**	–
Provision for/(Reversal of) inventories to net realizable value	**1,031**	(60)
Raw materials and consumables used	**55,398**	57,619
Staff secondment service fee	**1,440**	1,620
Other expenses	**24,760**	27,905
	105,864	106,193
Discontinued operation:		
Auditors' remuneration	**27**	36
Changes in inventories of finished goods and work in progress	**1,372**	(1,674)
Depreciation and amortization *(Note 9)*		
– owned assets	**1,939**	1,749
Employee benefit expense (excluding Directors' emoluments)		
– Wages and salaries *(Note 24)*	**28**	371
– Social security and pension costs *(Note 24)*	**87**	74
Freight and other related charges	**287**	399
Operating lease expenses on land, buildings and machinery	**352**	331
Provision for compensation to employees	**564**	–
Provision for an onerous contract	**615**	–
Provision for impairment of receivables	**6,433**	–
Provision of inventories to net realizable value	**4,935**	620
Raw materials and consumables used	**7,281**	25,131
Other expenses	**704**	1,549
	24,624	28,586
Total cost of sales, distribution costs and administrative expenses	**130,488**	134,779

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24. Employee benefit expense

	2008 **$'000**	2007 $'000
Continuing operations:		
Wages and salaries	**2,574**	2,430
Social security and pension costs	**187**	154
	2,761	2,584
Discontinued operation:		
Wages and salaries	**28**	371
Social security and pension costs	**87**	74
	115	445
Number of employees	**2,549**	4,059

(a) Directors' and senior management's emoluments

The remuneration of every Director for the year ended 31st December, 2008 is set out below:

Name of Director	**Fees $'000**	**Salary $'000**	**Employer's contributions to pension schemes $'000**	**Total $'000**
Executive directors				
Dr. Budiono Widodo	**–**	**408**	**–**	**408**
Mr. Sardjono Widodo	**180**	**–**	**–**	**180**
Mr. Liao Yun Kuang	**73**	**73**	**4**	**150**
Mr. Yu Chien Te	**17**	**51**	**4**	**72**
Non-executive directors				
Mr. Pipin Kusnadi	**6**	**–**	**–**	**6**
Mr. Sudjono Halim	**6**	**–**	**–**	**6**
Independent non-executive directors				
Mr. Marzuki Usman	**6**	**–**	**–**	**6**
Mr. Kusnadi Widjaja	**6**	**–**	**–**	**6**
Mr. Siah Chong Huat	**6**	**–**	**–**	**6**
	300	**532**	**8**	**840**

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For the year ended 31st December, 2008
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24. Employee benefit expense (Continued)

(a) Directors' and senior management's emoluments (Continued)

The remuneration of every Director for the year ended 31st December, 2007 is set out below:

Name of Director	Fees	Salary	Employer's contributions to pension schemes	Total
	$'000	$'000	$'000	$'000
Executive directors				
Dr. Budiono Widodo	–	456	–	456
Mr. Sardjono Widodo	180	–	–	180
Mr. Liao Yun Kuang	72	69	3	144
Mr. Yu Chien Te	16	86	3	105
Non-executive directors				
Mr. Pipin Kusnadi	6	–	–	6
Mr. Sudjono Halim	6	–	–	6
Mr. Chen Chung I (retired on 21st June, 2007)	–	–	–	–
Independent non-executive directors				
Mr. Marzuki Usman	6	–	–	6
Mr. Ngai Kwok Chuen (resigned on 29th November, 2007)	6	–	–	6
Mr. Kusnadi Widjaja	6	–	–	6
	298	611	6	915

Except for Dr. Budiono Widodo, who has waived his emoluments to the extent of approximately $48,000 during the year ended 31st December, 2008, no Directors waived any emoluments during the year ended 31st December, 2008 and 2007. No incentive payment for joining the Group or compensation for loss of office was paid or payable to any Director for the year ended 31st December, 2008 and 2007.

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24. Employee benefit expense (Continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2007 – three) Directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2007 – two) individuals during the year are as follows:

	2008 $'000	2007 $'000
Basic salaries and allowances	**257**	288
Bonus	**33**	44
Contributions to pension schemes	**3**	3
	293	335

The emoluments of these two (2007: two) individuals fell within the following bands:

	Number of individuals	
	2008*	2007
– Nil to $129,029 (Nil to HK$1,000,000)	**1**	–
– $129,029 to $193,543 (HK$1,000,001 to HK$1,500,000)	**1**	2
	2	2

* *Except for individual ranking the 5th highest paid, the other 4 of the 5 highest paid individuals are under the Group's employment for the whole of Year 2008.*

25. Finance costs

	2008 $'000	2007 $'000
Continuing operations:		
Interest on bank loans	**3,034**	4,019
Interest on other loans, wholly repayable within 5 years	**530**	394
Finance lease liabilities	**27**	26
	3,591	4,439
Discontinued operation:		
Interest on bank loans	**270**	429
	3,861	4,868

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For the year ended 31st December, 2008
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26. Income tax

	Year ended 31st December	
	2008	2007
	$'000	$'000
Continuing operations		
Hong Kong profits tax:		
– Income tax provision no longer required	**–**	1,786
Deferred income tax *(Note 21)*	**–**	15
	–	1,801

(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 because it had unutilized tax allowances to offset its estimated assessable profit for the year ended 31st December, 2008. The applicable income tax rate of Manuply is 26% (2007 – 27%).

(iv) The PRC

The Group's joint venture enterprise established in Dalian, the PRC subsidiary, Dalian Global is subject to PRC corporate income tax ("CIT") on the taxable income as reported in its PRC statutory accounts adjusted in accordance with relevant PRC income tax laws. The current applicable CIT rate of the Dalian Global is 18% (2007 – 15%), which is the preferential state income tax rate.

As approved by the tax authorities, Dalian Global is entitled to full exemption from CIT for the first two years and a 50% reduction in CIT for the next three years, commencing from the 2008 tax year.

No taxation has been provided for as Dalian Global had no estimated assessable profit for the current period (2007 – Nil).

26. Income tax (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 tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated companies as follows:

	2008 **$'000**	2007 $'000
(Loss)/Profit before income tax		
Continuing operations	**(13,579)**	4,634
Discontinued operation*	**(22,873)**	(5,167)
	(36,452)	(533)
Tax calculated at domestic tax rates applicable to profits in the respective countries	**(6,115)**	1,665
Tax effects of:		
Income not subject to tax	**–**	(1,060)
Tax incentive	**(2,345)**	(2,360)
Expenses not deductible for tax purposes	**986**	–
Utilization of previously unrecognized tax losses	**(17)**	(179)
Tax losses for which no deferred income tax asset was recognized	**7,491**	1,919
Income tax provision no longer required	**–**	(1,786)
Income tax	**–**	(1,801)

The change in tax at applicable tax rates is attributable to change in mix of profits earned in different jurisdictions.

* *The operation of PRC subsidiary, Dalian Global was discontinued during the year of 2008 (Note 15).*

27. (Loss)/Profit attributable to the Company's equity holders

The (loss)/profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of a loss of approximately $11,159,000 (2007: a profit of $1,073,000).

28. (Loss)/Earnings per share

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to the Company's equity holders by the weighted average number of ordinary shares in issue during the year.

	2008	2007
(Loss)/Profit from continuing operations attributable to the Company's equity holders (United States dollars)	**(13,579,000)**	6,435,000
Loss from discontinued operation attributable to the Company's equity holders (United States dollars)	**(22,873,000)**	(5,167,000)
	(36,452,000)	1,268,000
Weighted average number of ordinary shares in issue	**1,327,779,448**	1,215,579,448
Basic (loss)/earnings per share from continuing operations (United States cents per share)	**(1.02)**	0.53
Basic loss per share from discontinued operation (United States cents per share)	**(1.72)**	(0.43)
	(2.74)	0.10

There was no dilutive effect on (loss)/earnings per share for the years ended 31st December, 2008 and 2007 since all outstanding share options were anti-dilutive.

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29. Cash generated from operations

	2008 $'000	2007 $'000
Loss before income tax including discontinued operation	**(36,452)**	(533)
Adjustment for:		
Depreciation *(Note 9)*	**8,872**	8,985
Amortization of leasehold land *(Note 7)*	**31**	31
Finance costs *(Note 25)*	**3,861**	4,868
Interest income from bank deposits *(Note 22)*	**(16)**	(43)
Provision for/(Reversal of) impairment of receivables, net	**6,733**	(2,553)
Provision for inventories to net realizable value, net	**5,966**	560
Provision for/(Reversal of) impairment loss on property, plant and equipment	**6,314**	(3,362)
Gain on disposal of property, plant and equipment *(Note 22)*	**(38)**	(1,239)
Goodwill arising from acquisition of a subsidiary written off *(Note 34)*	**18**	–
Share of loss of an associate *(Note 10)*	**195**	–
	(4,516)	6,714
Changes in working capital:		
Inventories	**1,719**	(3,151)
Trade and other receivables	**7,515**	1,014
Trade and other payables	**561**	2,898
Cash generated from operations	**5,279**	7,475

In the cash flow statement, proceeds from sale of property, plant and equipment comprise:

	2008 $'000	2007 $'000
Net book amount *(Note 9)*	**134**	836
Gain on disposal of property, plant and equipment *(Note 22)*	**38**	1,239
Proceeds from disposal of property, plant and equipment	**172**	2,075

30. Contingencies

Certain employees applied for outstanding wages and compensation payments to the local labour arbitration committee in Dalian, the PRC and an arbitration order was issued in the absence of a representative from Dalian Global. As there was no Dalian Global's management personnel in the PRC, the execution of the judgment was pending as at 31st December, 2008 and certain contingent liabilities might arise therefrom. Based on all relevant information to the Group to date, the management has made the necessary accruals and accordingly, it is not anticipated that any material liabilities will arise from the contingent liabilities other than those Dalian Global has provided for.

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31. Commitments – Group

Operating lease commitments – Group's companies as lessee

As at 31st December, 2008, the Group had future aggregate minimum lease payments in respect of buildings under various non-cancellable operating leases arrangements as follows:

	2008 $'000	2007 $'000
No later than 1 year	**83**	216
Later than 1 year and not later than 5 years	**34**	31
	117	247

32. Banking facilities – Group

As at 31st December, 2008, the Group had aggregate banking facilities as follows:

	2008			
	Utilized $'000	**Unutilized $'000**	**Total facilities $'000**	*Note*
– Bank loans	**52,240**	**–**	**52,240**	*(a) – (h)*
– Trade facilities	**15,565**	**9,540**	**25,105**	*(a) – (h)*
	67,805	**9,540**	**77,345**	

	2007			
	Utilized $'000	Unutilized $'000	Total facilities $'000	*Note*
– Bank loans	55,571	–	55,571	*(a) – (h)*
– Trade facilities	14,883	8,952	23,835	*(a) – (h)*
	70,454	8,952	79,406	

The above facilities were secured by:

(a) Pledges of certain property, plant and equipment of the Group with a net book value of approximately $57,528,000 (2007 – $67,570,000) (Note 9);

(b) Pledges of certain leasehold land of the Group with a net book value of approximately $2,928,000 (2007 – $2,958,000) (Note 7);

(c) Floating charges on certain inventories of the Group with a net book value of approximately $13,116,000 (2007 – $13,249,000) (Note 13);

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32. Banking facilities – Group (Continued)

The above facilities were secured by: (Continued)

(d) Floating charges on certain trade receivables of the Group of approximately $209,000 (2007 – $4,649,000) (Note 12);

(e) Floating charges on certain prepayments and other receivables of the Group of approximately $670,000 (2007 – $1,500,000) (Note 12);

(f) Floating charges on certain bank balances of the Group of approximately $566,000 (2007 – $1,138,000) (Note 14);

(g) Corporate guarantees given by the Company. The Directors are of the view that the fair value of the corporate guarantee is not significant, as the assets pledged against the borrowings are sufficient to cover the amounts owed; and

(h) Personal guarantees given by two Directors of the Company to banks in respect of certain bank loans and trade facilities granted to the Group (Note 35(a)).

33. 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 14.5% 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 social retirement plan for its PRC employees at a rate of 19% of the basic salary predetermined by the local government. The social 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.

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:

	2008 $'000	2007 $'000
Gross employer's contributions	**274**	228

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34. Business combinations

On 18th April, 2008, the Group acquired 100% of the share capital of SPL and obtained the control of SPL, an investment holding company which was incorporated in British Virgin Islands.

Details of net assets acquired and goodwill are as follows:

	$'000
Purchase consideration:	
– Cash paid	500

The assets and liabilities as of 18th April, 2008 arising from the acquisition are as follows:

	Fair value $'000	**Acquiree's carrying amount** $'000
Cash and bank balances	6	6
Investment in an associate *(Note 10)*	476	188
Fair value of net assets	482	194
Goodwill written off	18	
Total purchase consideration	500	
Purchase consideration settled by use of deposit		500
Cash and cash equivalents in subsidiary acquired		6

There were no acquisitions in the year ended 31st December, 2007.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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35. Related-party transactions

(a) Personal Guarantees

During the year ended 31st December, 2008, two Directors of the Company have provided personal guarantees to banks in respect of certain bank loans and trade facilities granted to the Group amounting to approximately $62,821,000 (2007 – $63,136,000) (Note 32(h)).

(b) Key Management Compensation

Key management compensation of the Group is disclosed in note 24.

(c) Co-operative Joint Venture Partner

Under the co-operative joint venture agreement for the establishment of Dalian Global dated 2nd July, 1995, the PRC joint venture partner was entitled to appoint two out of six Directors of Dalian Global. These two directors, being Directors of the PRC joint venture partner, are also Directors of Dalian Global, and thus, the PRC joint venture partner is regarded as a related party.

Under the joint venture agreement, the Group committed to pay to the PRC joint venture partner pre-determined annual fees for the use of the land and premises by Dalian Global up to May 2015. During the year ended 31st December, 2008, the fee paid to the PRC joint venture partner under this arrangement amounted to $1,060,000 (2007 – $500,000). When Dalian Global was discontinued, the agreement became onerous and the accrual for the onerous contract was provided for in administration expense (Note 19, 23).

36. Events after the balance sheet date

On 20th January, 2009, the principal bank of the Group approved Manuply's request for a moratorium period commencing from 31st December, 2008 to 31st December, 2009 for the long-term borrowing of approximately $43,816,000 on the repayment of principal and interest, and the payment schedule has been updated accordingly.