Pacific Plywood Holdings Limited

太平洋實業控股有限公司

Stock Code: 0767

2009 Interim Report

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION – UNAUDITED

	Note	30th June, 2009 US$'000 (Unaudited)	31st December, 2008 US$'000 (Audited)
ASSETS			
Non-current assets			
Leasehold land	*6*	**2,913**	2,928
Property, plant and equipment	*6*	**52,619**	61,989
Interests in an associate	*7*	**838**	981
Deferred income tax assets		**4,807**	4,807
Deposit for acquisition of an investment	*8*	**1,000**	1,000
Total non-current assets		**62,177**	71,705
Current assets			
Inventories		**9,883**	13,309
Trade and other receivables	*9*	**2,700**	4,652
Cash and cash equivalents		**879**	1,673
Total current assets		**13,462**	19,634
Total assets		**75,639**	91,339
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Ordinary shares	*10*	**4,278**	4,278
Share premium		**7,652**	7,652
Other reserves		**2,146**	4,868
Accumulated losses		**(20,487)**	(17,790)
		(6,411)	(992)
Minority interest in equity		**1,000**	1,000
Total equity		**(5,411)**	8
LIABILITIES			
Non-current liabilities			
Borrowings	*11*	**50,670**	48,947
Current liabilities			
Trade and other payables	*12*	**15,662**	23,903
Current income tax liabilities		**98**	98
Bank overdrafts	*11*	**2,484**	2,521
Borrowings	*11*	**12,136**	15,862
Total current liabilities		**30,380**	42,384
Total liabilities		**81,050**	91,331
Total equity and liabilities		**75,639**	91,339
Net current liabilities		**(16,918)**	(22,750)
Total assets less current liabilities		**45,259**	48,955

The notes on pages 5 to 20 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INCOME STATEMENT – UNAUDITED

	Note	For the six months ended 30th June, 2009 US$'000 (Unaudited)	2008 US$'000 (Unaudited)
Continuing operations:			
Revenue	5	**25,550**	51,829
Cost of sales		**(27,065)**	(43,120)
Gross (loss)/profit		**(1,515)**	8,709
Distribution costs		**(2,741)**	(6,180)
Administrative expenses		**(3,290)**	(4,881)
Other gains – net		**693**	126
Operating loss		**(6,853)**	(2,226)
Finance costs		**(1,218)**	(1,731)
Share of loss of an associate		**(143)**	(80)
Loss before income tax from continuing operations	13	**(8,214)**	(4,037)
Income tax	14	**–**	–
Loss for the period from continuing operations		**(8,214)**	(4,037)
Discontinued operations:			
Gain/(Loss) for the period from discontinued operations	15	**5,517**	(20,278)
Loss for the period		**(2,697)**	(24,315)
Attributable to:			
Company's equity holders		**(2,697)**	(24,315)
Minority interest		**–**	–
		(2,697)	(24,315)
(Loss)/Earnings per share for loss from continuing operations and gain/(loss) from discontinued operations attributable to the Company's equity holders during the period (expressed in United States cents per share)			
Basic (loss)/earnings per share			
From continuing operations	16	**US(0.62) cents**	US(0.30) cents
From discontinued operations	16	**US 0.42 cents**	US(1.53) cents
		US(0.20) cents	US(1.83) cents
Diluted (loss)/earnings per share			
From continuing operations	16	**US(0.62) cents**	US(0.30) cents
From discontinued operations	16	**US 0.42 cents**	US(1.53) cents
		US(0.20) cents	US(1.83) cents
Dividends		**–**	–

The notes on pages 5 to 20 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – UNAUDITED

	For the six months ended 30th June,	
	2009	2008
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Loss for the period	**(2,697)**	(24,315)
Other comprehensive income		
Currency translation differences	**(2,722)**	135
Total comprehensive loss for the period	**(5,419)**	(24,180)
Total comprehensive loss attributable to:		
Company's equity holders	**(5,419)**	(24,180)
Minority interest	**–**	–
	(5,419)	(24,180)

The notes on pages 5 to 20 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED

	Attributable to the Company's equity holders					
	Ordinary shares US$'000 (Unaudited)	Share premium US$'000 (Unaudited)	Other reserves US$'000 (Unaudited)	Retained earnings/ (Accumulated losses) US$'000 (Unaudited)	Minority interest US$'000 (Unaudited)	Total equity US$'000 (Unaudited)
Balance at 1st January, 2008	4,278	7,652	4,928	18,662	1,000	36,520
Loss for the period	–	–	–	(24,315)	–	(24,315)
Other comprehensive income:						
Currency translation differences	–	–	135	–	–	135
Balance at 30th June, 2008	4,278	7,652	5,063	(5,653)	1,000	12,340
Balance at 1st January, 2009	4,278	7,652	4,868	(17,790)	1,000	8
Loss for the period	–	–	–	(2,697)	–	(2,697)
Other comprehensive income:						
Currency translation differences	–	–	(2,722)	–	–	(2,722)
Balance at 30th June, 2009	4,278	7,652	2,146	(20,487)	1,000	(5,411)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT – UNAUDITED

	For the six months ended 30th June,	
	2009 **US$'000** **(Unaudited)**	2008 US$'000 (Unaudited)
Cash (used in)/generated from operating activities	**(1,724)**	3,356
Interest paid	**(1,218)**	(1,876)
Net cash (outflow)/inflow from operating activities	**(2,942)**	1,480
Net cash outflow from investing activities	**(26)**	(2,794)
Net cash outflow before financing	**(2,968)**	(1,314)
Net cash inflow/(outflow) from financing activities	**2,343**	(2,398)
Net decrease in cash, cash equivalents and bank overdrafts	**(625)**	(3,712)
Effect of foreign exchange rate changes	**(132)**	(463)
Cash, cash equivalents and bank overdrafts, at beginning of period	**(848)**	5,744
Cash, cash equivalents and bank overdrafts, at end of period	**(1,605)**	1,569
Analysis of cash, cash equivalents and bank overdrafts:		
Cash and bank balances	**879**	2,628
Bank overdrafts	**(2,484)**	(1,059)
	(1,605)	1,569

The notes on pages 5 to 20 form an integral part of this condensed consolidated interim financial information.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION – UNAUDITED

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.

This condensed consolidated interim financial information, which has not been audited, was approved by the Directors for issue on 16th September, 2009.

KEY EVENT

In June 2009, the Group successfully completed the disposal of all its interests in Ankan (China) Holdings Limited ("ACHL"), the holding company of the Group's PRC operation, to an independent third party for a consideration of US$50,000. Further details were given in the Company's announcement dated on 29th May, 2009.

2. BASIS OF PREPARATION

The Company has a financial year end date of 31st December. This condensed consolidated interim financial information for the six months ended 30th June, 2009 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, 'Interim financial reporting'. This condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31st December, 2008, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") save that our independent auditor did not express an opinion on whether the annual financial statements for the year ended 31st December, 2008 gave a true and fair view. The disclaimer of opinion was issued due to the limitation of scope for the auditing of an ex-subsidiary of the Group because the Group's management did not have access and was unable to make available the relevant accounting records and related supporting documents of this ex-subsidiary to our independent auditor.

3. GOING CONCERN BASIS OF ACCOUNTING

For the six months ended 30th June, 2009, the Group reported a loss and a comprehensive loss attributable to the Company's equity holders of US$2,697,000 and US$5,419,000 (US$24,315,000 and US$24,180,000 for the six months ended 30th June, 2008) respectively. As at 30th June, 2009, the Group had net current liabilities of US$16,918,000 (US$22,750,000 as at 31st December, 2008) and outstanding borrowings and bank overdrafts of approximately US$65,290,000 (US$67,330,000 as at 31st December, 2008), of which approximately US$14,620,000 (US$18,383,000 as at 31st December, 2008) is 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. 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 US$43,816,000.

Following the discontinuation in late 2008 of the operation of its PRC subsidiary, which had been in a loss and net cash outflow position for years, the Group successfully completed the disposal of all its interests in ACHL, the holding company of the Group's PRC operation, to an independent third party for a consideration of US$50,000 in June 2009 (Note 15). With the disposal of ACHL, the implementation of other cost-cutting measures and the ongoing support from its bankers, the Directors believe that 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 30th June, 2009.

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.

4. ACCOUNTING POLICIES

Except as described below, the accounting policies and method of computation used in the preparation of this condensed consolidated interim financial information are consistent with those used in the annual financial statements for the year ended 31st December, 2008, as described in those annual financial statements.

(a) The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1st January, 2009.

- HKAS 1 (revised), 'Presentation of financial statements'. The revised standard prohibits 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' are required to be shown in a performance statement.

  Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).

  The Group has elected to present two statements: an income statement and a statement of comprehensive income. The interim financial statements have been prepared under the revised disclosure requirements.

- HKFRS 8, 'Operating segments'. HKFRS 8 replaces HKAS 14, 'Segment reporting'. It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes.

  Operating segments are reported in a manner consistent with the internal reporting provided to chief operating decision-maker. The chief operating decision-maker has been identified as the board of directors of the Company, that makes strategic decisions.

  There has been no impact on the measurement of the Group's assets and liabilities and the comparative figures for 2008 have been restated.

- Amendment to HKFRS 7, 'Financial instruments : disclosures'. The amendment increases the disclosure requirements about fair value measurement and amends the disclosure about liquidity risk. The amendment introduces a three-level hierarchy for fair value measurement disclosures about financial instruments and requires some specific quantitative disclosures for those instruments classified in the lowest level in the hierarchy. These disclosures will help to improve comparability between entities about the effects of fair value measurements. In addition, the amendment clarifies and enhances the existing requirements for the disclosure of liquidity risk primarily requiring a separate liquidity risk analysis for derivative and non-derivative financial liabilities. It also requires a maturity analysis for financial assets where the information is needed to understand the nature and context of liquidity risk. The Group will make additional relevant disclosures in its financial statements ending 31st December, 2009.

(b) The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1st January, 2009, but are not currently relevant for the Group.

HKAS 23 (amendment)	Borrowing costs
HKFRS 2 (amendment)	Share-based payment
HKAS 32 (amendment)	Financial instruments : presentation
HKAS 39 (amendment)	Financial instruments : recognition and measurement
HK(IFRIC) 9 (amendment)	Reassessment of embedded derivatives
HK(IFRIC) 13	Customer loyalty programmes
HK(IFRIC) 15	Agreements for the construction of real estate
HK(IFRIC) 16	Hedges of a net investment in a foreign operation

4. ACCOUNTING POLICIES *(Continued)*

(c) The following new standards, amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1st January, 2009 and have not been early adopted:

- HKFRS 3 (revised), 'Business combinations' and consequential amendments to HKAS 27, 'Consolidated and separate financial statements', HKAS 28, 'Investments in associates' and HKAS 31, 'Interests in joint ventures', effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st July, 2009. Management is assessing the impact of the new requirements regarding acquisition accounting, consolidation and associates on the Group. The Group does not have any joint ventures.

  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 statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the minority interest in the acquiree either at fair value or at the minority interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply HKFRS 3 (revised) to all business combinations from 1st January, 2010.

- Amendment to HKFRS 5 'Non-current Assets held for sale and discontinued operations', effective for periods beginning on or after 1st January, 2010. Disclosures in standards other than HKFRS 5 do not apply to non-current assets (or disposal groups) classified as held for sale or discontinued operations unless those HKFRSs specifically require disclosures for them. Additional disclosures about these assets or discontinued operations may be necessary to comply with the general requirements of HKAS 1 'Presentation of financial statements'. The Group will apply HKFRS 5 (amendment) from 1st January, 2010.

- Amendment to HKFRS 8 'Operating segments', effective for periods beginning on or after 1st January, 2010. Disclosure of information about total assets and liabilities for each reportable segment is required only if such amounts are regularly provided to the chief operating decision maker. The Group will apply HKFRS 8 (amendment) from 1st January, 2010.

- Amendment to HKAS 7 'Statement of cash flows', effective for periods beginning on or after 1st January, 2010. Only expenditures that result in a recognized asset are eligible for classification as investing activities. The Group will apply HKAS 7 (amendment) from 1st January, 2010.

- Amendment to HKAS 17 'Leases', effective for periods beginning on or after 1st January, 2010. The amendment removes the specific guidance on the classification of long-term leases of land as operating leases. When classifying land leases, the general principles applicable to the classification of leases should be applied. The classification of land leases has to be reassessed on adoption of the amendment on the basis of information existing at the inception of the leases. The Group will apply HKAS 17 (amendment) from 1st January, 2010.

- Amendment to HKAS 36 'Impairment of assets', effective for periods beginning on or after 1st January, 2010. This clarifies that the largest unit permitted for the goodwill impairment test is the lowest level of operating segment before any aggregation as defined in HKFRS 8. The amendment does not have any impact on the Group's financial statements.

- Amendment to HKAS 38 'Intangible assets', effective for periods beginning on or after 1st July, 2009. This clarifies the description of the valuation techniques commonly used to measure intangible assets acquired in a business combination when they are not traded in an active market. In addition, an intangible asset acquired in a business combination might be separable but only together with a related contract, identifiable asset or liability. In such cases, the intangible asset is recognized separately from goodwill but together with the related item. The Group will apply HKAS 38 (amendment) from 1st January, 2010.

4. ACCOUNTING POLICIES *(Continued)*

(d) The following new standards, amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1st January 2009 and not relevant for the Group's operations:

- Amendment to HKAS 39, 'Financial instruments : Recognition and measurement' on eligible hedged items, effective for annual periods beginning on or after 1st July, 2009. This is not currently applicable to the Group, as it does not have any hedged items.

- HK(IFRIC) 17, 'Distributions of non-cash assets to owners', effective for annual periods beginning on or after 1st July, 2009. This is not currently applicable to the Group, as it has not made any non-cash distributions.

- HK(IFRIC) 18, 'Transfers of assets from customers', effective for transfer of assets received on or after 1st July, 2009. This is not relevant to the Group, as it has not received any assets from customers.

- Amendment to HKFRS 2 'Share-based payments', effective for periods beginning on or after 1st July, 2009. This clarification confirms that HKFRS 3 (revised) does not change the scope of HKFRS 2. This is not currently relevant for the Group as it has not issued equity instruments for business combination under common control or for the formation of a joint venture.

- Amendment to HKAS 1 'Presentation of financial statements', effective for periods beginning on or after 1st January, 2010. Current/non-current classification of the liability component of convertible instruments is not affected by the holder's option which will result in the settlement by the issuance of equity instruments. This is not currently relevant to the Group.

- Amendment to HKAS 39 'Financial instruments : recognition and measurement', effective for periods beginning on or after 1st January, 2010. Loan prepayment penalties are treated as closely related embedded derivatives, only if the penalties are payments that compensate the lender for loss of interest by reducing the economic loss from reinvestment risk. In addition, the scope exemption to business combination contracts only applies to forward contracts that are firmly committed to be completed between the acquirer and a selling shareholder to buy or sell an acquiree in a business combination at a future acquisition date. Therefore option contracts are not in this scope exemption. This amendment also clarifies that in a cash flow hedge of a forecast transaction that a reclassification of the gains or losses on the hedge item from equity to profit or loss is made during the period the hedged forecast cash flows affect profit or loss. This is not currently relevant to the Group.

- Amendment to HK(IFRIC) 9 'Reassessment of embedded derivatives', effective for periods beginning on or after 1st July, 2009. This amendment aligns the scope of HK(IFRIC) 9 to the scope of HKFRS 3 (revised) : the interpretation does not apply to embedded derivatives in contracts acquired in a business combination, a common control combination or the formation of a joint venture. This is not currently relevant to the Group.

- Amendment to HK(IFRIC) 16 'Hedges of a net investment in a foreign operation', effective for periods beginning on or after 1st July, 2009. This amendment removes the restriction on the entity that can hold hedging instruments in a net investment hedge. The hedge instruments can be held by the foreign operation that itself is being hedged. This is not currently relevant for the Group as it does not have such hedge.

5. SEGMENTAL INFORMATION

Operating segments are reported in a manner consistent with the internal management reports provided to the chief operating decision-makers, who are the board of directors ("the Board").

The Board considers the business from a geographic perspective as well as from the business nature and assesses the performance of the operating segments based on a measure of adjusted earnings before interest and tax ("EBIT"). This measurement basis excludes the effects of non-recurring expenditure from the operating segments, such as restructuring costs, legal expenses and impairments when the impairment is the result of an isolated, non-recurring event. Interest income and expenditure are not included in the result of each operating segment that is reviewed by the Board.

Segment revenue and expenses represent items directly attributable to a segment and are determined before intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment.

Segment assets exclude deferred income tax assets, which are managed on a central basis and form a part of the reconciliation to total balance sheet assets.

5. SEGMENTAL INFORMATION *(Continued)*

Segment capital expenditure represents cost incurred during the year for the acquisition of segment non-current assets.

An analysis of the Group's results by operating segments is set out as follows:

The segment results and other information for the six months ended 30th June, 2009 are as follows:

	Manufacturing – Malaysia *US$'000*	Trading *US$'000*	All other segments *US$'000*	Total continuing operations *US$'000*	Total discontinued operations (Manufacturing – PRC) *US$'000*	Total *US$'000*
Total revenue	**24,282**	**1,268**	**–**	**25,550**	**–**	**25,550**
Inter-segment revenue	**–**	**–**	**–**	**–**	**–**	**–**
Revenue (from external customers)	**24,282**	**1,268**	**–**	**25,550**	**–**	**25,550**
(LBIT)/EBIT	**(4,896)**	**(167)**	**(1,790)**	**(6,853)**	**5,517**	**(1,336)**
Depreciation and amortization	**(3,039)**	**(9)**	**(226)**	**(3,274)**	**(803)**	**(4,077)**
Impairment losses	**–**	**–**	**–**	**–**	**–**	**–**
Finance income	**–**	**–**	**–**	**–**	**–**	**–**
Finance costs	**(482)**	**–**	**(736)**	**(1,218)**	**–**	**(1,218)**
Share of loss from an associate	**–**	**–**	**(143)**	**(143)**	**–**	**(143)**
Income tax	**–**	**–**	**–**	**–**	**–**	**–**
Additions to non-current assets (other than deferred income tax assets)	**72**	**–**	**–**	**72**	**–**	**72**

As at 30th June, 2009

	Manufacturing – Malaysia *US$'000*	Trading *US$'000*	All other segments *US$'000*	Total continuing operations *US$'000*	Total discontinued operations (Manufacturing – PRC) *US$'000*	Total *US$'000*
Total assets (excluding deferred income tax assets)	**52,481**	**1,095**	**17,256**	**70,832**	**–**	**70,832**
Total assets include: Interests in an associate	**–**	**–**	**838**	**838**	**–**	**838**

A reconciliation of total adjusted LBIT to total loss before income tax and discontinued operations is provided as follows:

	For the six months ended 30th June, 2009 *US$'000*
Adjusted LBIT for reportable segments	**(6,853)**
Finance costs	**(1,218)**
Share of loss of an associate	**(143)**
Loss before income tax and discontinued operations	**(8,214)**

5. SEGMENTAL INFORMATION *(Continued)*

Reportable segments' assets are reconciled to total assets as follows:

	30th June, 2009 *US$'000*
Total segment assets	70,832
Deferred income tax assets	4,807
Total assets per condensed consolidated statement of financial position	75,639

The revenue from external customers by products for the six months ended 30th June, 2009 are as follows:

	Continuing operations *US$'000*	**Discontinued operations** *US$'000*	**Total** *US$'000*
Weather and boil proof plywood	**13,763**	**–**	**13,763**
Moisture resistant plywood	**8,989**	**–**	**8,989**
Flooring	**2,006**	**–**	**2,006**
Jambs and mouldings	**330**	**–**	**330**
Structural	**228**	**–**	**228**
Others	**234**	**–**	**234**
	25,550	**–**	**25,550**

The Company is domiciled in Hong Kong. The result of its revenue from external customers in Hong Kong and other countries for the six months ended 30th June, 2009 are as follows:

	Continuing operations *US$'000*	**Discontinued operations** *US$'000*	**Total** *US$'000*
South East Asia	**8,730**	**–**	**8,730**
Japan	**6,621**	**–**	**6,621**
Korea	**3,654**	**–**	**3,654**
Europe	**2,338**	**–**	**2,338**
The PRC	**906**	**–**	**906**
North America	**423**	**–**	**423**
Others	**2,878**	**–**	**2,878**
	25,550	**–**	**25,550**

During the six months ended 30th June, 2009, the Group has the following major customers contributing 10% of more to the Group's revenue:

	Segment	**Revenue** *US$'000*
Major customer (1)	Manufacturing – Malaysia	**5,664**
Major customer (2)	Manufacturing – Malaysia	**3,161**

5. SEGMENTAL INFORMATION *(Continued)*

At 30th June, 2009, the total of non-current assets other than deposit for acquisition of an investment, interests in an associate and deferred income tax assets (there are no financial instruments; employment benefit assets and rights arising under insurance contracts) located in Hong Kong and other countries are as follows:

	Continuing operations *US$'000*	Discontinued operations *US$'000*	Total *US$'000*
Malaysia	**40,240**	**–**	**40,240**
Singapore	**15,275**	**–**	**15,275**
Hong Kong	**6**	**–**	**6**
Others	**11**	**–**	**11**
	55,532	**–**	**55,532**

The segment results and other information for the six months ended 30th June, 2008 are as follows:

	Manufacturing – Malaysia *US$'000*	Trading *US$'000*	All other segments *US$'000*	Total continuing operations *US$'000*	Total discontinued operations (Manufacturing – PRC) *US$'000*	Total *US$'000*
Total revenue	48,296	4,906	–	53,202	9,127	62,329
Inter-segment revenue	(598)	(775)	–	(1,373)	(1,974)	(3,347)
Revenue (from external customers)	47,698	4,131	–	51,829	7,153	58,982
LBIT	(26)	(308)	(1,892)	(2,226)	(20,133)	(22,359)
Depreciation and amortization	(3,225)	(8)	(243)	(3,476)	(989)	(4,465)
Impairment losses	–	–	–	–	(5,814)	(5,814)
Finance income	7	2	–	9	1	10
Finance costs	(1,521)	(1)	(209)	(1,731)	(145)	(1,876)
Share of loss from an associate	–	–	(80)	(80)	–	(80)
Income tax	–	–	–	–	–	–
Additions to non-current assets (other than deferred income tax assets)	2,581	–	2	2,583	6	2,589

As at 31st December, 2008

	Manufacturing – Malaysia *US$'000*	Trading *US$'000*	All other segments *US$'000*	Total continuing operations *US$'000*	Total discontinued operations (Manufacturing – PRC) *US$'000*	Total *US$'000*
Total assets (excluding deferred income tax assets)	58,402	1,222	20,347	79,971	6,561	86,532
Total assets include: Interests in an associate	–	–	981	981	–	981

5. SEGMENTAL INFORMATION *(Continued)*

A reconciliation of total adjusted LBIT to total loss before income tax and discontinued operations is provided as follows:

	For the six months ended 30th June, 2008 *US$'000*
Adjusted LBIT for reportable segments	(2,226)
Finance costs	(1,731)
Share of loss of an associate	(80)
Loss before income tax and discontinued operations	(4,037)

Reportable segments' assets are reconciled to total assets as follows :

	31st December, 2008 *US$'000*
Total segment assets	86,532
Deferred income tax assets	4,807
Total assets per condensed consolidated statement of financial position	91,339

The revenue from external customers by products for the six months ended 30th June, 2008 are as follows:

	Continuing operations *US$'000*	Discontinued operations *US$'000*	Total *US$'000*
Weather and boil proof plywood	23,385	–	23,385
Flooring	15,679	–	15,679
Moisture resistant plywood	10,240	–	10,240
Jambs and mouldings	1,406	3,489	4,895
Structural	1,119	1,446	2,565
Others	–	2,218	2,218
	51,829	7,153	58,982

The Company is domiciled in Hong Kong. The result of its revenue from external customers in Hong Kong and other countries for the six months ended 30th June, 2008 are as follows:

	Continuing operations *US$'000*	Discontinued operations *US$'000*	Total *US$'000*
The PRC	14,020	209	14,229
South East Asia	12,117	–	12,117
Europe	10,129	1,492	11,621
Japan	6,771	1,125	7,896
North America	1,982	3,006	4,988
Korea	4,518	372	4,890
Others	2,292	949	3,241
	51,829	7,153	58,982

5. SEGMENTAL INFORMATION *(Continued)*

During the six months ended 30th June, 2008, the Group has the following major customers contributing 10% of more to the Group's revenue:

	Segment	Revenue *US$'000*
Major customer (1)	Manufacturing – Malaysia	7,447
Major customer (2)	Manufacturing – Malaysia	7,331
Major customer (3)	Manufacturing – Malaysia	7,259
Major customer (4)	Discontinued operations (Manufacturing – PRC)	6,081

At 31st December, 2008, the total of non-current assets other than deposit for acquisition of an investment, interests in an associate and deferred income tax assets (there are no financial instruments; employment benefit assets and rights arising under insurance contracts) located in Hong Kong and other countries are as follows:

	Continuing operations *US$'000*	Discontinued operations *US$'000*	Total *US$'000*
Malaysia	43,207	–	43,207
Singapore	15,575	–	15,575
The PRC	–	6,107	6,107
Hong Kong	9	–	9
Others	19	–	19
	58,810	6,107	64,917

6. PROPERTY, PLANT AND EQUIPMENT AND LEASEHOLD LAND

	Property, plant and equipment ***US$'000*** **(Unaudited)**	**Leasehold land** ***US$'000*** **(Unaudited)**
Opening net book amount as at 1st January, 2008	73,852	2,958
Additions	2,589	–
Exchange differences	1,633	–
Disposals	(2)	–
Provision for impairment	(5,814)	–
Depreciation/Amortization charge	(4,450)	(15)
Closing net book amount as at 30th June, 2008	67,808	2,943
Additions	123	–
Exchange differences	(888)	1
Disposals	(132)	–
Provision for impairment	(500)	–
Depreciation/Amortization charge	(4,422)	(16)
Closing net book amount as at 31st December, 2008	61,989	2,928
Opening net book amount as at 1st January, 2009	**61,989**	**2,928**
Additions	**72**	**–**
Exchange differences	**(88)**	**–**
Discontinued operations – disposal of ACHL (Note 15)	**(5,292)**	**–**
Provision for impairment	**–**	**–**
Depreciation/Amortization charge	**(4,062)**	**(15)**
Closing net book amount as at 30th June, 2009	**52,619**	**2,913**

7. INTERESTS IN AN ASSOCIATE

	Equity US$'000 (Unaudited)	Amount due from US$'000 (Unaudited)	Total US$'000 (Unaudited)
At 1st January, 2008	–	–	–
Acquisition that had an interest in an associate	476	–	476
Payment in advance to an associate	–	290	290
Share of loss	(81)	–	(81)
At 30th June, 2008	395	290	685
Payment in advance to an associate	–	410	410
Share of loss	(114)	–	(114)
At 31st December, 2008	281	700	981
At 1st January, 2009	**281**	**700**	**981**
Share of loss	**(143)**	**–**	**(143)**
Capital Injection	**20**	**(20)**	**–**
As 30th June, 2009	**158**	**680**	**838**

The Group's share of the results of an associated (unlisted) and its aggregated assets and liabilities are as follows:

Name	**Country of incorporation**	**Interest held**
Segereka Sdn. Bhd.	Malaysia	49%

	Assets *US$'000*	**Liabilities** *US$'000*	**Revenue** *US$'000*	**Loss** *US$'000*
For six months ended and as at 30th June, 2008	1,114	307	–	(201)
For six months ended and as at 31st December, 2008	1,786	1,196	295	(195)
For six months ended and as at 30th June, 2009	**1,339**	**997**	**659**	**(291)**

8. 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 US$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 Sevier Pacific Limited ("SPL"), a company holding 49% interest in a limited company incorporated in Sabah, Malaysia, which has certain interest in 10,000 acres logging concession in Sabah, 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, US$500,000 of the refundable deposit paid was utilized to acquired SPL and was accounted for as cost of investment in subsidiaries. Since the balance of the refundable deposit in the amount of US$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.

9. TRADE AND OTHER RECEIVABLES

	30th June, 2009 US$'000 (Unaudited)	31st December, 2008 US$'000 (Audited)
Trade receivables	**2,379**	10,343
Bill receivables	**402**	481
Less : Provision for impairment of trade receivables	**(907)**	(7,452)
Trade and bill receivables – net	**1,874**	3,372
Other receivables – net	**826**	1,280
Total trade and other receivables	**2,700**	4,652

The aging analysis of the trade receivables (before provision for impairment loss) are as follows:

	30th June, 2009 US$'000 (Unaudited)	31st December, 2008 US$'000 (Audited)
0-30 days	**1,237**	2,269
31-60 days	**120**	442
61-90 days	**–**	3
91-180 days	**54**	1,110
181-360 days	**186**	5,852
Over 360 days	**782**	667
	2,379	10,343

The Group normally grants credit terms of not more than 180 days to existing customers without collaterals. 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 overdue period, the financial strength of the debtors and whether there are any disputes with the relevant debtors.

As of 30th June, 2009, trade receivables of US$907,000 (US$7,452,000 as at 31st December, 2008) were impaired and provided for. The individually impaired receivables mainly relate to customers, which are in unexpected difficult financial situations.

Certain subsidiaries of the Group negotiated bill receivables on a with recourse basis with banks for cash during the six months ended 30th June, 2009 and the outstanding amount as at 30th June, 2009 was US$387,000 (US$229,000 as at 31st December, 2008). The transactions have been accounted for as collateralized borrowings (Note 11).

As at 30th June, 2009, trade receivables and other receivables amounting to approximately US$21,000 and US$761,000 respectively (US$209,000 and US$670,000 as at 31st December, 2008) were subject to floating charges as collateral for certain banking facilities of the Group.

10. ORDINARY SHARES

Details of the Company's ordinary shares are as follows:

	30th June, 2009		31st December, 2008	
	Number of shares '000	Nominal value US$'000	Number of shares '000	Nominal value US$'000
Authorized – ordinary shares of HK$0.025 each	**8,000,000**	**25,806**	8,000,000	25,806
Issued and fully paid or credited as fully paid – ordinary shares of HK$0.025 each	**1,327,779**	**4,278**	1,327,779	4,278

11. BORROWINGS AND BANK OVERDRAFTS

	30th June, 2009	31st December, 2008
	US$'000	*US$'000*
	(Unaudited)	(Audited)
Non-current		
Bank borrowings	**50,635**	48,830
Finance lease liabilities	**35**	117
	50,670	48,947
Current		
Bank overdrafts	**2,484**	2,521
Banker's acceptance and other banking facilities	**10,029**	12,055
Bank borrowings		
– short term bank borrowings	**–**	1,675
– current portion of long term bank borrowings	**1,557**	1,735
Collateralized borrowings (Note 9)	**387**	229
Finance lease liabilities	**163**	168
	14,620	18,383
Non-current bank borrowings were repayable as follows:		
– not exceeding one year	**1,557**	1,735
– more than one year but not exceeding two years	**3,837**	2,487
– more than two years but not exceeding five years	**16,571**	15,070
Wholly repayable within five years	**21,965**	19,292
Over five years	**30,227**	31,273
	52,192	50,565
Less: Amount due within one year included in current liabilities	**(1,557)**	(1,735)
	50,635	48,830

The long term bank borrowings bore interest at commercial banking rates ranging from 3.00% to 4.80% (2008 – 4.25% to 6.41%) 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 2.83% to 7.53% (2008 – 3.69% to 8.13%) 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.

As at 30th June, 2009, the carrying amounts of bank borrowings approximate their fair value.

As at 30th June, 2009, the Group has unutilized banking facilities of approximately US$8,537,000 (31st December, 2008 – US$9,541,000).

12. TRADE AND OTHER PAYABLES

	30th June, 2009	31st December, 2008
	US$'000	*US$'000*
	(Unaudited)	(Audited)
Trade payables	**13,249**	17,890
Other payables	**2,413**	6,013
	15,662	23,903

The aging analysis of the trade payables are as follows:

	30th June, 2009	31st December, 2008
	US$'000	*US$'000*
	(Unaudited)	(Audited)
0-30 days	**2,894**	4,013
31-60 days	**2,582**	4,575
61-90 days	**1,474**	1,332
91-180 days	**1,997**	3,434
181-360 days	**4,234**	4,536
Over 360 days	**68**	–
	13,249	17,890

13. EXPENSES BY NATURE

Loss for the period was determined after charging the followings:

	For the six months ended 30th June,	
	2009	2008
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Continuing operations		
Depreciation of property, plant and equipment	**3,259**	3,461
Amortization charge of leasehold land	**15**	15
Provision for doubtful receivables	**–**	384
Provision for write-down of inventories to net realizable value	**–**	29
Staff secondment and consulting fees	**510**	810
Interest expense on		
– Bank overdrafts and loans	**1,082**	1,475
– Finance lease	**8**	15
– Others	**128**	241
Staff costs		
– Wages and salaries	**1,000**	1,447
– Pension costs	**82**	105
Discontinued operations		
Depreciation of property, plant and equipment	**803**	989
Provision for doubtful receivables	**–**	5,855
Provision for write-down of inventories to net realizable value	**–**	4,859
Impairment loss on property, plant and equipment	**–**	5,814
Interest expense on		
– Bank overdrafts and loans	**–**	145
Staff costs		
– Wages and salaries	**–**	152
– Pension costs	**–**	44

14. INCOME TAX

(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 for as the Group had no assessable profit arising in or derived from Hong Kong.

(iii) Malaysia

No taxation has been provided by a subsidiary in Malaysia because it had unutilized tax allowances to offset its estimated assessable profit for the six months ended 30th June, 2009. The applicable income tax rate of this subsidiary is 25% (2008 – 26%).

(iv) Others

Other overseas taxation has been calculated at the rates of taxation applicable in the countries in which the relevant subsidiaries operate.

15. DISCONTINUED OPERATIONS

As a result of the recent worldwide financial turmoil, the operating environment of the Group's PRC operations has become more challenging. Accordingly, after due consideration of the interests of the Group, the Board decided in November 2008 to discontinue the Group's operation in the PRC. In June 2009, the Group successfully disposed ACHL, holding company of the Group's PRC operation, to an independent third party for a consideration of US$50,000.

Analysis of the financial results of the discontinued operations is as follows:

	For the six months ended 30th June,	
	2009	2008
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Revenue	**–**	7,153
Cost of sales	**–**	(9,944)
Provision of inventories to net realizable value	**–**	(4,859)
Distribution costs	**–**	(148)
Administrative expenses	**(807)**	(907)
Other (loss)/gains – net	**(13)**	241
Provision for impairment of receivables	**–**	(5,855)
Provision for impairment losses on property, plant and equipment	**–**	(5,814)
Finance costs	**–**	(145)
Loss before income tax from discontinued operations	**(820)**	(20,278)
Income tax	**–**	–
Loss for the period from discontinued operations	**(820)**	(20,278)
Gain on disposal of subsidiaries	**6,337**	–
Income tax on disposal of subsidiaries	**–**	–
Profit/(Loss) for the period	**5,517**	(20,278)

Cash flow on sale

	US$'000
	(Unaudited)
Consideration received	**50**
Net cash disposed of with the discontinued operations	**(4)**
Net cash inflow	**46**

15. DISCONTINUED OPERATIONS *(Continued)*

Analysis of the cash flow of the discontinued operations is as follows:

	For the six months ended 30th June,	
	2009	2008
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Operating cash flows	**(16)**	2,119
Investing cash flows	**–**	(5)
Financing cash flows	**–**	(1,349)
Exchange difference	**16**	(512)
Total cash flows	**–**	253

16. (LOSS)/EARNINGS PER SHARE

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

	For the six months ended 30th June,	
	2009	2008
	(Unaudited)	(Unaudited)
Loss from continuing operations attributable to the Company's equity holders (United States dollars)	**(8,214,000)**	(4,037,000)
Gain/(Loss) from discontinued operations attributable to the Company's equity holders (United States dollars)	**5,517,000**	(20,278,000)
	(2,697,000)	(24,315,000)
Weighted average number of ordinary shares in issue	**1,327,779,448**	1,327,779,448
Basic loss per share from continuing operations (United States cents per share)	**(0.62)**	(0.30)
Basic earnings/(loss) per share from discontinued operations (United States cents per share)	**0.42**	(1.53)
	(0.20)	(1.83)

There was no dilutive effect on (loss)/earnings per share for the six months ended 30th June, 2009 and 2008 since all outstanding share options were anti-dilutive.

17. RELATED PARTY TRANSACTIONS

Parties are considered to be related if the Group has the ability, directly or indirectly, to control the parties or exercise significant influence over the parties in making financial and operating decisions, or vice versa, or where the Group and the parties are subject to common control. Significant transactions and balances with related parties during the period are summarized below:

(a) Certain bank loans and trade facilities in the aggregated amount of approximately US$64,770,000 (US$62,821,000 as at 31st December, 2008) are secured by personal guarantees given by two Directors of the Company.

(b) No transactions have been entered with the Directors of the Company (being the key management personnel) during the period other than the emoluments paid to them (being the key management personnel compensation).

(c) As at 30th June, 2009, the Group's advances to an associate was approximately US$680,000 (Note 7).

18. COMMITMENTS

Operating lease commitments – Group's companies as lessee

As at 30th June, 2009, the Group had total future aggregate minimum lease payments in respect of buildings under various non-cancellable operating leases arrangements as follows:

	30th June, 2009	31st December, 2008
	US$'000	*US$'000*
	(Unaudited)	(Audited)
No later than one year	**64**	83
Later than one year and not later than five years	**9**	34
	73	117

DIVIDEND

The Directors of the Company do not recommend the payment of an interim dividend in respect of the six months ended 30th June, 2009 (2008 – Nil).

BUSINESS REVIEW

The unprecedented drop in world demand triggered by last year's global financial crisis continued in the first quarter of 2009 with signs of bottoming of the world recession appearing in the second quarter. For the six months ended 30th June, 2009 , the Group's turnover declined 50.7% to US$25.6 million, as compared to the corresponding period last year. Total sales volume for the six months ended 30th June, 2009 declined 34.7% to 69,247 m3.

The Group's sales product mix for 2009 concentrated on moisture resistant plywood and weather and boil proof plywood , which constituted 89% of the total sales; however, the sales volume was only 65,147 m3, representing a drop of 16.4% as compared to the corresponding period in 2008. Japan and South East Asia market, eg Vietnam and Philippines remained our marketing focus. The Group will continue to explore and develop new businesses in emerging markets like Thailand and Australia, to achieve a more balanced market portfolio without any reliance on any one market.

The El Nino effect in the second quarter of 2009 had affected the timber logging activities in East Malaysia . The drought had created extremely dry conditions in the forests, thus making it very susceptible and vulnerable to forest fires, and also depriving logging camps of adequate drinking water and sanitations. The timber market is still affected by the global financial meltdown which had reduced construction and manufacturing activities. Recent relaxation on rulings for exports of round logs without fulfillment of local milling quota had reduced the availability of logs for plywood and sawmill industries in Malaysia. This scarcity of logs was offset with lower demand from millers in Malaysia, thus bringing down log prices marginally by 4.4%.

A general shortage of labour force in Malaysia arose from the recent tightening of foreign labour laws. Replacement of factory workers who had completed their contracts took a longer processing time. This had led to a correspondingly lower production output.

The ease of crude oil prices and its products and services like glue and freight, as compared to last year, had reduced our operating costs slightly.

The Group continued to focus on implementing effective cost control measures, rationalizing and streamlining its operations. With enhanced and improved production processes, we had managed to reduce our log wastages and hence, our recovery rate had risen to more than 50%, which exceeded the industry norm. We had also employed different types, grades and sizes of wood in our production to maximize its yield.

During the period under review , the Group managed to dispose of its discontinued plant in Dalian, the PRC. This enabled the Group to realize a gain on disposal of approximately US$6.3 million and more importantly, to concentrate its efforts and focus in expanding its manufacturing business in Malaysia. The logging operations of our associated company had been progressing well and we anticipate positive contributions in the second half of 2009.

OUTLOOK

Log prices are expected to increase when the monsoon season coincides with the fourth quarter, making the harvesting of logs difficult. The Group will continue to improve its production processes, increase its log recovery rate and minimize wastages from log cutting.

Signs of slow and gradual recovery in the global markets especially emerging markets can be seen in the third quarter. The pace and magnitude of this recovery will dictate the demand for the plywood market. The Group will remain focus in strengthening trade relations with business partners in traditional markets eg Korea, Japan, the PRC and United Kingdom. Business for new markets like Thailand, Vietnam, Singapore and Australia will be expanded. The Group obtained the CARB certification for its plywood products which will facilitate its export to USA, which stresses on environmental friendly.

The Group will consolidate further its existing capacity and resources to maximize productivity and optimize product mix in order to enhance its performance in the second half of 2009. Product innovation and development with high quality would also assist in securing higher profit margins.

FINANCIAL REVIEW

Liquidity and financial resources

As at 30th June, 2009, the Group recorded net current liabilities of approximately US$16,918,000, compared to US$22,750,000 as at 31st December, 2008. The decrease in net current liabilities could be attributable to the moratorium period granted by a principal banker of the Group.

Capital structure

During the period ended 30th June, 2009, there was no material change to the Group's capital structure.

Significant investments, acquisitions and disposals

In May, 2009, the Group entered into an agreement with an independent third party for the sale of ACHL, holding company of the Group's PRC operations, and the disposal was completed in June 2009.

Employees

As at 30th June, 2009, the Group had 1,785 staff, 1,750 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.

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$54,843,000, floating charges on certain inventories of approximately US$9,676,000, trade receivables of approximately US$408,000, bank balances of approximately US$71,000, other assets of approximately US$761,000, 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 of the Group as at 30th June, 2009 and 31st December, 2008 were as follows:

	30th June, 2009 ***US$'000*** **(Unaudited)**	31st December, 2008 *US$'000* (Audited)
Total borrowings	**65,290**	67,330
Less : Cash and cash equivalents	**(879)**	(1,673)
Net debt	**64,411**	65,657
Total equity	**(5,411)**	8
Total capital	**59,000**	65,665
Gearing ratio (net debt to total capital)	**109%**	100%

The gearing ratio remained at a high level primarily due to the continuing 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.

Foreign exchange exposures

The Group has operations in Malaysia and Singapore with significant number of 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 forward contracts to hedge such exchange risk because it is considered as not cost-effective.

Contingent liabilities

As at 30th June, 2009, the Group had no contingent liabilities.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 30th June, 2009, the Directors and chief executive of the Company and their associates had the following beneficial interests in the equity of the Company (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:–

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

Name of Director	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%

Note 1: As at 30th June, 2009, 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.

Note 2 : As at 30th June, 2009, 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 "Arrangement to purchase shares and debentures" below, as at 30th June, 2009, none of the Directors, the chief executive of the Company or their associate had any interest or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO.

ARRANGEMENT TO PURCHASE SHARES AND DEBENTURES

The Company has a share option scheme, under which it may grant options to employees (including executive directors) of the Group to subscribe for shares in the Company. Details of the share options granted and outstanding as at 30th June, 2009 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 the period
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

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

SUBSTANTIAL SHAREHOLDERS

As at 30th June, 2009, the persons interested in 5% or more of the issued share capital of the Company as recorded in the register kept by the Company pursuant to section 336 of the SFO were as follows:

Long position in ordinary shares of the Company:

Name	Capacity and nature of interest	Number of shares held	Percentage of the Company's issued share capital
Dr. Budiono Widodo	Beneficial owner, held by controlled corporation and a named 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	A named 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 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.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30th June, 2009, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

CORPORATE GOVERNANCE

The Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30th June, 2009, with deviations from code provision A.2.1 and E.1.2.

Code provision A.2.1

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

In addition to his duties as Chairman of the Company, 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 the 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.

Code provision E.1.2

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

Due to certain urgent matters to be attended by Chairman, Dr. Budiono Widodo did not attend the Company's 2009 annual general meeting. However, Dr. Budiono Widodo arranged Mr. Liao Yun Kuang, President of the Company, to attend the Company's 2009 annual general meeting to answer questions raised by shareholders.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive directors, Mr. Marzuki Usman (chairman), Mr. Kusnadi Widjaja and Mr. Siah Chong Huat.

The Audit Committee has adopted terms of reference which are in line with the Code.

The unaudited condensed consolidated financial information for the six months ended 30th June, 2009 has been reviewed by the Audit Committee of the Company.

REMUNERATION COMMITTEE

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.

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 six months ended 30th June, 2009.

By Order of the Board
Budiono Widodo
Chairman

Hong Kong, 16th September, 2009