

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES

The Unaudited Financial Statements have been prepared in accordance with Statement of Standard Accounting Practice 25 “Interim Financial Reporting”, and on the basis consistent with accounting principles adopted in the preparation of the Group’s annual financial statements for the year ended 31st December, 2000.

The Unaudited Financial Statements have been prepared under the historical cost convention.

2. SEGMENTAL INFORMATION

Primary segment by geographical locations of assets:

	For the six months ended 30th June, 2001					Consolidated US\$'000
	the PRC US\$'000	Hongkong US\$'000	Singapore US\$'000	Malaysia US\$'000	Elimination US\$'000	
Turnover						
– External	24,082	2,671	–	35,711		
– Inter-segment	–	–	–	54		
Total turnover	<u>24,082</u>	<u>2,671</u>	<u>–</u>	<u>35,765</u>	(54)	<u>62,464</u>
Result						
Segment result	<u>(1,996)</u>	<u>(131)</u>	<u>404</u>	<u>2,213</u>		490
Unallocated corporate expenses						<u>(508)</u>
Operating loss						(18)
Finance costs						(3,724)
Taxation						<u>(136)</u>
Loss before minority interests						<u>(3,878)</u>
Assets						
Segment assets	100,735	390	15,546	102,452		219,123
Unallocated corporate assets						<u>282</u>
Consolidated total assets						<u>219,405</u>
Liabilities						
Segment liabilities	20,986	75	11,218	75,441		107,720
Unallocated corporate liabilities						<u>2,471</u>
Consolidated total liabilities						<u>110,191</u>
Other information						
Capital expenditures	270	–	528	1,996		
Depreciation	1,891	–	249	3,636		

	For the six months ended 30th June, 2000					Consolidated US\$'000
	the PRC US\$'000	Hongkong US\$'000	Singapore US\$'000	Malaysia US\$'000	Elimination US\$'000	
Turnover						
– External	20,919	3,404	147	37,511		
– Inter-segment	–	–	450	900		
Total turnover	<u>20,919</u>	<u>3,404</u>	<u>597</u>	<u>38,411</u>	<u>(1,350)</u>	<u>61,981</u>
Result						
Segment result	<u>(3,604)</u>	<u>(111)</u>	<u>(318)</u>	<u>6,261</u>		2,228
Unallocated corporate expenses						<u>(602)</u>
Operating profit						1,626
Finance costs						(4,060)
Taxation						<u>(305)</u>
Loss before minority interests						<u>(2,739)</u>
Assets						
Segment assets	102,383	593	18,870	108,077		229,923
Unallocated corporate assets						<u>379</u>
Consolidated total assets						<u>230,302</u>
Liabilities						
Segment liabilities	33,305	359	12,249	72,281		118,194
Unallocated corporate liabilities						<u>2,524</u>
Consolidated total liabilities						<u>120,718</u>
Other information						
Capital expenditures	580	–	333	888		
Depreciation	1,744	–	225	3,386		

Secondary segment by products:

	For the six months ended 30th June,					
	2001			2000		
	Turnover US\$'000	Assets US\$'000	Capital expenditures US\$'000	Turnover US\$'000	Assets US\$'000	Capital expenditures US\$'000
Moisture resistant plywood	21,534	77,120	1,173	22,073	61,319	440
Structural	16,589	41,952	364	10,668	25,575	153
Flooring	6,800	27,296	134	8,407	43,805	302
Weather and boil proof plywood	7,508	22,000	436	7,684	24,177	205
Jamb and mouldings	7,686	14,301	54	8,202	21,283	74
Veneer	1,906	922	13	2,723	4,428	34
Others	441	1,518	30	2,224	3,875	33
Unallocated	–	34,296	590	–	45,840	560
Total	<u>62,464</u>	<u>219,405</u>	<u>2,794</u>	<u>61,981</u>	<u>230,302</u>	<u>1,801</u>

3. LOSS BEFORE TAXATION

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

	For the six months ended 30th June,	
	2001 US\$'000	2000 US\$'000
After Charging:–		
Depreciation of property, plant and Equipment	5,794	5,423
Interest expense on		
– bank overdrafts and loans	3,368	3,548
– finance lease	21	19
– others	335	493
Staff costs	6,028	5,821
After crediting:–		
Rental income	81	142

4. TAXATION

Taxation in the consolidated income statement comprises:

	For the six months ended 30th June,	
	2001 US\$'000	2000 US\$'000
Current taxation		
– Hong Kong profits tax	135	263
– Overseas income tax	1	42
	<u>136</u>	<u>305</u>

Hong Kong profits tax was provided at the rate of 16% (2000 – 16%) on the estimated assessable profits arising in or derived from Hong Kong. Overseas taxation, representing tax charges on the estimated assessable profits of subsidiaries operating outside Hong Kong, has been calculated at the rates of taxation applicable in the countries in which the relevant subsidiaries operate.

5. LOSS PER SHARE

The calculation of basic loss per share is based on the consolidated loss attributable to shareholders of approximately US\$3,631,000 (2000 – US\$2,421,000) and on the weighted average number of 5,580,897,243 shares in issue during the period.

No diluted loss per share for the six months ended 30th June, 2001 and 30th June, 2000 was presented as the dilutive potential ordinary shares were anti-dilutive.

6. PROPERTY, PLANT AND EQUIPMENT

Movements of property, plant and equipment were:

	For the six months ended 30th June, 2001 US\$'000
Cost	
Beginning of period	228,519
Additions	2,953
Disposals	(461)
Exchange difference	(1,021)
End of period	<u>229,990</u>
Accumulated Depreciation	
Beginning of period	41,155
Provision for the period	5,794
Disposals	(107)
Exchange difference	(78)
End of period	<u>46,764</u>
Net Book Value	
End of period	<u>183,226</u>
Beginning of period	<u>187,364</u>

7. TRADE RECEIVABLES

The aging analysis of trade receivables is as follows:

	30th June, 2001 US\$'000	31st December, 2000 US\$'000
0 – 30 days	7,232	6,063
31 – 60 days	44	515
61 – 90 days	88	711
91 – 180 days	–	1,625
181 – 360 days	873	1,367
Over 360 days	104	901
	<u>8,341</u>	11,182
<i>Less: Provision for bad and doubtful trade receivables</i>	<u>(900)</u>	<u>(1,500)</u>
	<u>7,441</u>	<u>9,682</u>

Management of the Group performs ongoing credit and collectibility evaluations of each customer. Provisions for potential credit losses are maintained and such losses in aggregate have not exceeded management's estimates. The Group offers an average credit term of 30 to 180 days to its trade customers.

8. TRADE PAYABLES

The aging analysis of trade payables is as follows:

	30th June, 2001 US\$'000	31st December, 2000 US\$'000
0 – 30 days	5,994	7,585
31 – 60 days	3,565	3,499
61 – 90 days	2,106	3,322
91 – 180 days	1,284	2,109
181 – 360 days	620	425
Over 360 days	676	221
	<u>14,245</u>	<u>17,161</u>

9. SHARE CAPITAL

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

	30th June, 2001		31st December, 2000	
	Number of shares '000	Nominal value US\$'000	Number of shares '000	Nominal value US\$'000
Authorised – shares of HK\$0.025 each	<u>8,000,000</u>	<u>25,806</u>	<u>8,000,000</u>	<u>25,806</u>
Issued and fully paid or credited as fully paid – shares of HK\$0.025 each	<u>5,580,897</u>	<u>18,037</u>	<u>5,580,897</u>	<u>18,037</u>
Beginning and end of period/year	<u>5,580,897</u>	<u>18,037</u>	<u>5,580,897</u>	<u>18,037</u>

10. RESERVES

Movements of consolidated reserves during the six months ended 30th June, 2001 are as follows:–

	Share premium US\$'000	Warrant subscription reserve US\$'000	Cumulative translation adjustments US\$'000	Retained earnings (Accumulated deficits) US\$'000	Total US\$'000
Beginning of period	90,652	1,400	(4,056)	600	88,596
Loss for the period	–	–	–	(3,631)	(3,631)
Translation adjustments	–	–	(270)	–	(270)
End of period	<u>90,652</u>	<u>1,400</u>	<u>(4,326)</u>	<u>(3,031)</u>	<u>84,695</u>

11. RELATED PARTY TRANSACTIONS

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

- a. During the period, the Group paid fees of approximately US\$52,000 (2000 – US\$65,000) to Shine Faith Consultants Limited, a company of which Mr. Lau Kam Hung, an executive director of the Company, is also a director, for consultancy services provided during the six months ended 30th June, 2001.
- b. The outstanding balance with a director is unsecured, non-interest bearing and without pre-determined repayment terms.

12. CONTINGENT LIABILITIES

Contingent liabilities (not provided for in the Unaudited Financial Statements) comprised:

	30th June, 2001 US\$'000	31st December, 2000 US\$'000
Discounted bills with recourse	<u>1,329</u>	<u>452</u>