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PACIFIC PLYWOOD HOLDINGS LIMITED

太平洋實業控股有限公司*

(incorporated in Bermuda with limited liability)

(Stock code: 767)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30TH JUNE, 2010

The Board of Directors (the "Directors") of Pacific Plywood Holdings Limited (the "Company") hereby announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30th June, 2010 and the comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT – UNAUDITED

		For the six months ended 30th June,	
		2010	2009
	Note	***US$'000***	*US$'000*
		(Unaudited)	(Unaudited)
Continuing operations:			
Revenue	*3*	**23,725**	25,550
Cost of sales		**(22,359)**	(27,065)
Gross profit/(loss)		**1,366**	(1,515)
Distribution costs		**(2,197)**	(2,741)
Administrative expenses		**(3,011)**	(3,290)
Other (losses)/gains – net		**(495)**	693
Operating loss		**(4,337)**	(6,853)
Finance costs		**(989)**	(1,218)
Share of loss of an associate		**(51)**	(143)
Loss before income tax from continuing operations	*4*	**(5,377)**	(8,214)
Income tax	*5*	**–**	–
Loss for the period from continuing operations		**(5,377)**	(8,214)

* *For identification purposes only*

	Note	For the six months ended 30th June, 2010 US$'000 (Unaudited)	2009 US$'000 (Unaudited)
Discontinued operations:			
Gain for the period from discontinued operations		**–**	5,517
Loss for the period		**(5,377)**	(2,697)
Attributable to:			
Company's equity holders		**(5,377)**	(2,697)
Minority interest		**–**	–
		(5,377)	(2,697)
(Loss)/Earnings per share for loss from continuing operations and gain from discontinued operations attributable to the Company's equity holders during the period			
Basic (loss)/earnings per share			
From continuing operations	*6*	**US(0.37) cents**	US(0.62) cents
From discontinued operations	*6*	**–**	US0.42 cents
		US(0.37) cents	US(0.20) cents
Diluted (loss)/earnings per share			
From continuing operations	*6*	**US(0.37) cents**	US(0.62) cents
From discontinued operations	*6*	**–**	US0.42 cents
		US(0.37) cents	US(0.20) cents
Dividends		**–**	–

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION – UNAUDITED

	Note	**30th June, 2010** *US$'000* **(Unaudited)**	31st December, 2009 *US$'000* (Audited)
ASSETS			
Non-current assets			
Leasehold land		**2,882**	2,897
Property, plant and equipment		**46,498**	49,783
Interests in an associate		**654**	705
Deferred income tax assets		**4,860**	4,860
Total non-current assets		**54,894**	58,245
Current assets			
Inventories		**7,884**	7,632
Trade and other receivables	*7*	**3,140**	1,743
Cash and cash equivalents		**6,678**	1,040
Total current assets		**17,702**	10,415
Total assets		**72,596**	68,660
EQUITY			
Equity attributable to the Company's equity holders	*9*		
Ordinary shares		**5,134**	4,278
Share premium		**12,176**	7,652
Other reserves		**2,341**	2,345
Accumulated losses		**(32,961)**	(27,584)
		(13,310)	(13,309)
Minority interest in equity		**1,000**	1,000
Total deficit		**(12,310)**	(12,309)

	Note	30th June, 2010 US$'000 (Unaudited)	31st December, 2009 US$'000 (Audited)
LIABILITIES			
Non-current liabilities			
Borrowings		**47,390**	49,974
Current liabilities			
Trade and other payables	*8*	**14,537**	14,030
Current income tax liabilities		**98**	98
Due to a director		**4,459**	–
Bank overdrafts		**2,744**	2,877
Borrowings		**15,678**	13,990
Total current liabilities		**37,516**	30,995
Total liabilities		**84,906**	80,969
Total deficit and liabilities		**72,596**	68,660
Net current liabilities		**(19,814)**	(20,580)
Total assets less current liabilities		**35,080**	37,665

Notes:

1. GOING CONCERN BASIS OF ACCOUNTING

For the six months ended 30th June, 2010, the Group reported a loss and a comprehensive loss attributable to the Company's equity holders of US$5,377,000 and US$5,381,000 (US$2,697,000 and US$5,419,000 for the six months ended 30th June, 2009) respectively. As at 30th June, 2010, the Group had net current liabilities of US$19,814,000 (US$20,580,000 as at 31st December, 2009) and outstanding borrowings and bank overdrafts of approximately US$65,812,000 (US$66,841,000 as at 31st December, 2009), of which approximately US$18,422,000 (US$16,867,000 as at 31st December, 2009) 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 March, 2010, the Company completed a placement of 265,540,000 new shares to independent third parties and received gross proceeds of approximately US$5,400,000. In July, 2010, the Group completed the disposal of its commercial property in Singapore and generated net cash proceeds of approximately US$7,350,000. With the liquidity generated from these activities 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, 2010.

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.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Company has a financial year end date of 31st December. This condensed consolidated interim financial information for the six months ended 30th June, 2010 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, 2009, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS")

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, 2009, as described in those annual financial statements.

In the current period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 (Revised)	First-time Adoptions of HKFRSs
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK (IFRIC)-INT 17	Distribution of Non-cash Assets to Owners

The Group applies HKFRS 3 (Revised) Business Combinations prospectively to business combinations for which the acquisition date is on or after 1st January, 2010. The requirements in HKAS 27 (Revised) Consolidated and Separate Financial Statements in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1st January, 2010.

The application of HKFRS 3 (Revised) had no effect on the condensed consolidated interim financial information of the Group for the current accounting period.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

The application of the new and revised HKFRSs had no effect on the condensed consolidated interim financial statements of the Group for the current or prior accounting periods.

The Group has not early applied the following revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs 2010[1]
HKAS 24 (Revised)	Related Party Disclosures[4]
HKAS 32 (Amendment)	Classification of Rights Issues[2]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS7 Disclosures for First – time Adopters[3]
HKFRS 9	Financial Instruments[5]
HK(IFRIC) – INT 14 (Amendment)	Prepayments of a Minimum Funding Requirement[4]
HK(IFRIC) – INT 19	Extinguishing Financial Liabilities with Equity Instruments[3]

1 Amendments that are effective for annual periods beginning on or after 1st July, 2010 and 1st January, 2011, as appropriate.
2 Effective for annual periods beginning on or after 1st February, 2010.
3 Effective for annual periods beginning on or after 1st July, 2010.
4 Effective for annual periods beginning on or after 1st January, 2011.
5 Effective for annual periods beginning on or after 1st January, 2013.

HKFRS 9 "Financial Instruments" introduces new requirements for the classification and measurement of financial assets and will be effective from 1st January, 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. SEGMENTAL INFORMATION – UNAUDITED

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, 2010 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	**22,887**	**838**	**–**	**23,725**	**–**	**23,725**
Inter-segment revenue	**–**	**–**	**–**	**–**	**–**	**–**
Revenue (from external customers)	**22,887**	**838**	**–**	**23,725**	**–**	**23,725**
Loss before interest and tax ("LBIT")	**2,757**	**258**	**1,322**	**4,337**	**–**	**4,337**
Depreciation and amortization	**3,036**	**3**	**223**	**3,262**	**–**	**3,262**
Impairment losses	**–**	**–**	**–**	**–**	**–**	**–**
Finance income	**–**	**–**	**–**	**–**	**–**	**–**
Finance costs	**392**	**–**	**597**	**989**	**–**	**989**
Share of loss from an associate	**–**	**–**	**51**	**51**	**–**	**51**
Income tax	**–**	**–**	**–**	**–**	**–**	**–**
Additions to non-current assets (other than deferred tax assets)	**39**	**–**	**–**	**39**	**–**	**39**

	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*
As at 30th June, 2010						
Total assets (excluding deferred income tax assets)	**45,084**	**434**	**22,218**	**67,736**	**–**	**67,736**
Total assets include: Interests in an associate	**–**	**–**	**654**	**654**	**–**	**654**

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

	Six months ended 30th June, 2010 *US$'000*
Adjusted LBIT for reportable segments	**4,337**
Finance costs	**989**
Share of loss of an associate	**51**
Loss before income tax and discontinued operations	**5,377**

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

	30th June, 2010 *US$'000*
Total segment assets	**67,736**
Deferred income tax assets	**4,860**
Total assets per condensed consolidated statement of financial position	**72,596**

The revenue from external customers by products for the six months ended 30th June, 2010 are as follows:

	Continuing operations *US$'000*	**Discontinued operations** *US$'000*	**Total** *US$'000*
Weather and boil proof plywood	**15,363**	**–**	**15,363**
Moisture resistant plywood	**6,357**	**–**	**6,357**
Flooring	**1,655**	**–**	**1,655**
Jambs and mouldings	**137**	**–**	**137**
Structural	**33**	**–**	**33**
Others	**180**	**–**	**180**
	23,725	**–**	**23,725**

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, 2010 are as follows:

	Continuing operations *US$'000*	**Discontinued operations** *US$'000*	**Total** *US$'000*
South East Asia	**10,385**	**–**	**10,385**
Japan	**4,735**	**–**	**4,735**
Korea	**2,466**	**–**	**2,466**
Europe	**2,201**	**–**	**2,201**
The PRC	**1,607**	**–**	**1,607**
North America	**137**	**–**	**137**
Others	**2,194**	**–**	**2,194**
	23,725	**–**	**23,725**

During the six months ended 30th June, 2010, the Group has the following major customers contributing 10% of more to the Group's turnover:

	Segment	Revenue *US$'000*
Major customer (1)	Manufacturing – Malaysia	**6,460**
Major customer (2)	Manufacturing – Malaysia	**2,610**

At 30th June, 2010, the total of non-current assets other than 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	**34,125**	**–**	**34,125**
Singapore	**15,254**	**–**	**15,254**
Hong Kong	**1**	**–**	**1**
	49,380	**–**	**49,380**

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 tax assets)	72	–	–	72	–	72

	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*
As at 31st December, 2009						
Total assets (excluding deferred income tax assets)	46,253	1,112	16,435	63,800	–	63,800
Total assets include: Interests in an associate	–	–	705	705	–	705

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

	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

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

	31st December, 2009 *US$'000*
Total segment assets	63,800
Deferred income tax assets	4,860
Total assets per condensed consolidated statement of financial position	68,660

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 turnover:

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

At 31st December, 2009, the total of non-current assets other than 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	37,177	–	37,177
Singapore	15,493	–	15,493
Hong Kong	3	–	3
Others	7	–	7
	52,680	–	52,680

4. EXPENSES BY NATURE – UNAUDITED

Loss before income tax was determined after charging the following:

	For the six months ended 30th June, 2010	2009
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Continuing operations		
Depreciation of property, plant and equipment	**3,247**	3,259
Amortization charge of leasehold land	**15**	15
Provision for doubtful receivables	**–**	–
Provision for write-down of inventories to net realizable value	**–**	–
Staff secondment and consulting fees	**390**	510
Interest expense on		
– Bank overdrafts and loans	**815**	1,082
– Finance lease	**3**	8
– Others	**171**	128
Staff costs		
– Wages and salaries	**1,099**	1,000
– Pension costs	**76**	82
Discontinued operations		
Depreciation of property, plant and equipment	**–**	803

5. INCOME TAX – UNAUDITED

(i) Bermuda

The Company is exempt from taxation in Bermuda until 28th March, 2016.

(ii) Hong Kong

No Hong Kong profits tax has been provided 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, 2010. The applicable income tax rate of this subsidiary is 25% (2009 – 25%).

(iv) Others

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

6. (LOSS)/EARNINGS PER SHARE – UNAUDITED

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,	
	2010	2009
Loss from continuing operations attributable to the Company's equity holders (United States dollars)	**(5,377,000)**	(8,214,000)
Gain from discontinued operations attributable to the Company's equity holders (United States dollars)	**–**	5,517,000
	(5,377,000)	(2,697,000)
Weighted average number of ordinary shares in issue	**1,460,549,448**	1,327,779,448
Basic loss per share from continuing operations (United States cents per share)	**(0.37)**	(0.62)
Basic earnings per share from discontinued operations (United States cents per share)	**–**	0.42
	(0.37)	(0.20)

There was no dilutive effect on (loss)/earnings per share for the six months ended 30th June, 2010 and 2009 since all share options outstanding but expired during the six months ended 30th June, 2010 were anti-dilutive.

7. TRADE AND OTHER RECEIVABLES – UNAUDITED

	30th June, 2010	31st December, 2009
	US$'000	*US$'000*
	(Unaudited)	(Audited)
Trade receivables	**551**	1,375
Bill receivables	**1,136**	689
Less: Provision for impairment of trade receivables	**(267)**	(912)
Trade and bill receivables – net	**1,420**	1,152
Other receivables – net	**1,720**	591
Total trade and other receivables	**3,140**	1,743

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

	30th June, 2010	31st December, 2009
	US$'000	*US$'000*
	(Unaudited)	(Audited)
0-30 days	**279**	463
31-60 days	**1**	–
61-90 days	**–**	–
91-180 days	**4**	–
181-360 days	**–**	–
Over 360 days	**267**	912
	551	1,375

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, 2010, trade receivables of US$267,000 (US$912,000 as at 31st December, 2009) 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, 2010 and the outstanding amount as at 30th June, 2010 was US$1,067,000 (US$606,000 as at 31st December, 2009). The transactions have been accounted for as collateralized borrowings.

As at 30th June, 2010, trade receivables and other receivables amounting to approximately US$284,000 and US$927,000 respectively (US$29,000 and US$500,000 as at 31st December, 2009) were subject to floating charges as collateral for certain banking facilities of the Group.

8. TRADE AND OTHER PAYABLES – UNAUDITED

	30th June, 2010	31st December, 2009
	US$'000	*US$'000*
	(Unaudited)	(Audited)
Trade payables	**10,921**	11,377
Other payables	**3,616**	2,653
	14,537	14,030

The aging analysis of the trade payables were as follows:

	30th June, 2010 *US$'000* **(Unaudited)**	31st December, 2009 *US$'000* (Audited)
0-30 days	**2,930**	2,620
31-60 days	**2,462**	2,076
61-90 days	**1,460**	1,369
91-180 days	**2,527**	2,863
181-360 days	**1,190**	1,564
Over 360 days	**352**	885
	10,921	11,377

9. EQUITY ATTRIBUTABLE TO THE COMPANY'S EQUITY HOLDERS – UNAUDITED

	Attributable to the Company's equity holders					
	Ordinary shares *US$'000* **(Unaudited)**	**Share premium** *US$'000* **(Unaudited)**	**Other reserves** *US$'000* **(Unaudited)**	**Accumulated losses** *US$'000* **(Unaudited)**	**Minority interest** *US$'000* **(Unaudited)**	**Total equity/ (deficit)** *US$'000* **(Unaudited)**
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)
Balance at 1st January, 2010	**4,278**	**7,652**	**2,345**	**(27,584)**	**1,000**	**(12,309)**
Issuance of new shares *(*)*	**856**	**4,524**	**–**	**–**	**–**	**5,380**
Loss for the period	**–**	**–**	**–**	**(5,377)**	**–**	**(5,377)**
Other comprehensive income:						
Currency translation differences	**–**	**–**	**(4)**	**–**	**–**	**(4)**
Balance at 30th June, 2010	**5,134**	**12,176**	**2,341**	**(32,961)**	**1,000**	**(12,310)**

(*) In March, 2010, the Company completed a placement of 265,540,000 new shares to independent third parties and received gross proceeds of approximately HK$41,955,000, This amount was used as general working capital of the Group.

BUSINESS REVIEW

For the period ended 30th June, 2010, the Group's turnover was US$23.7 million, down 7.1% as compared to US$25.6 million in the same period last year. Total sales volume for the period under review also fell 21.8% to 54,132 m^3. The overall selling prices of our products had generally increased, which reflected the pick-up in demand for the plywood market and also the gradual increase for log prices and crude oil related products.

During the period under review, log prices had increased by approximately 10% from end 2009, as there were shortages in logs supply due to increased exports of logs by millers plus the prolonged rainy season experienced in the second quarter of 2010. However, we had managed to reduce our log cutting wastages and maintain our average recovery rate at 50%. Crude oil prices and its related products and services like glue and freight, had also seen a price hike. However, our gross profit margins had improved due to increased productivity and efficiency at our factory. There was some relaxation of tight foreign labour laws in second quarter of 2010, which helped our replacement of factory workers attrition. As at 30th June, 2010, our total factory workforce of approximately 1,700, augurs well for future increases in production volume.

Our Group's sales product mix for 2010 were concentrated at moisture resistant plywood and weather and boil proof plywood, which contributed 92% of total sales volume, which was consistent with corresponding period in 2009. Flooring products, which had the highest profit margin, constituted 5.5% of 2010 sales volume, as compared to only 4.4% of 2009 sales volume.

Geographically, South East Asian countries and Japan remained our marketing focus which comprised 63.7% of 2010 sales volume. We will continue to explore new markets e.g. India and venture further into countries like Australia and Vietnam.

During the period under review, the Group focused on strengthening its strategic alliances with its business partners. The Group is committed to understanding better our customers' needs and market trends in order to seize opportunities in gaining a competitive edge against our competitors.

OUTLOOK

Log prices are expected to gradually increase as a result of the current raining spells experienced and the coming monsoon rainy season in the fourth quarter, which will make harvesting of logs difficult. The Group will endeavour to stock-up more logs to ensure sufficient raw materials and will concentrate on improvements in production processes, enhancement of product quality, minimising product wastages and improving its log recovery rates.

The Group will continue its focus on traditional major markets like United Kingdom, Japan and the PRC. Trade relations with major trading houses in Japan will be further strengthen as the customers are willing to pay premium prices for the Group's quality products that have consistently met the increasingly stringent standards set by the Japanese. Exploration in new markets like India and Australia will be actively made in order to help diversify our customers base geographically.

Consolidation of our financial resources and production capacity to maximise productivity and optimise product mix and innovation will be made in order to help enhance the Group's performance in the second half of 2010. It will also seek to empower younger and talented staff to assume leadership roles in daily operations of the plant so as to encourage innovative ideas for overall improvement in every aspect of our plant operations.

FINANCIAL REVIEW

Liquidity and financial resources

As at 30th June, 2010, the Group recorded net current liabilities of approximately US$19,814,000, compared to US$20,580,000 as at 31st December, 2009.

Capital structure

In March, 2010, the Company completed a placement of 265,540,000 new shares to independent third parties and received gross proceeds of approximately HK$41,955,000, This amount was used as general working capital of the Group.

Significant investments, acquisitions and disposals

In April, 2010, the Group entered into an agreement with an independent third party for the sale of its commercial property in Singapore for a consideration of S$23,000,000. The sale was completed in July 2010.

Employees

As at 30th June, 2010, the Group had 1,717 staff, 1,691 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$48,761,000, floating charges on certain inventories of approximately US$7,884,000, trade receivables of approximately US$284,000, bank balances of approximately US$568,000, other assets of approximately US$927,000, corporate guarantees given by a few subsidiaries of the Group and personal guarantees given by two Directors of the Company.

Future plans for material investment or capital assets

In July, 2010, the Group had entered into a non-binding Memorandum of Understanding with another company incorporated in Malaysia, with the intention to explore an investment opportunity in an oilfield. A due diligence review will be conducted and if the result is satisfactory, a formal agreement will be signed.

The management will from time to time seek for investment opportunity in promising industry that could provide investment potential and broaden the income base of the Company.

Gearing ratio

The gearing ratios of the Group as at 30th June, 2010 and 31st December, 2009 were as follows:

	30th June, 2010 *US$'000* **(Unaudited)**	31st December, 2009 *US$'000* (Audited)
Total borrowings	**65,812**	66,841
Less: Cash and cash equivalents	**(6,678)**	(1,040)
Net debt	**59,134**	65,801
Total deficit	**(12,310)**	(12,309)
Total capital	**46,824**	53,492
Gearing ratio (net debt to total capital)	**126%**	123%

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, 2010, the Group had no contingent liabilities.

DIVIDEND

The Directors of the Company do not recommend the payment of an interim dividend in respect of the six months ended 30th June, 2010 (2009 – Nil).

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, 2010, 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 eleven 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 2010 annual general meeting. However, Dr. Budiono Widodo arranged Mr. Sardjono Widodo, Managing Director of the Company, to attend the Company's 2010 annual general meeting to answer questions raised by shareholders.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' securities transactions. All existing Directors, upon specific enquiry, confirmed that they had complied with the required standard as set out in the Model Code during the six months ended 30th June, 2010.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive directors, Mr. Marzuki Usman (chairman), Mr. Chan Kin Sang and Mr. Wong Chun Hung.

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, 2010 has been reviewed by the Audit Committee of the Company.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30th June, 2010, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

As at the date of this announcement, the Directors of the Company are:

Executive Directors
Dr. Budiono Widodo *(Chairman)*
Mr. Sardjono Widodo *(Managing Director)*
Mr. Liao Yun Kuang *(President)*
Mr. Yu Chien Te
Ms. Jia Hui
Mr. Huang Chuan Fu
Mr. Jiang Yi Ren
Mr. Liang Jian Hua

Independent Non-executive Directors
Mr. Marzuki Usman
Mr. Chan Kin Sang
Mr. Wong Chun Hung

By order of the Board
Budiono Widodo
Chairman

Hong Kong, 30th August, 2010