

To Our Shareholders:

2000 was another challenging year for the Group due to the weak market conditions as well as the worldwide drop in the price of wood products. For the financial year ended 31st December 2000, the Group's turnover decreased 7% to HK\$1,012.8 million (US\$130.0 million) compared with 1999. Net loss attributable to shareholders was HK\$82.2 million (US\$10.6 million), compared to last year's profit of HK\$26.7 million (US\$3.4 million).

In view of the stagnant market conditions, we have been actively administering a series of remedies including improving cost cutting processes and adjusting the product mix to further penetrate into profitable markets. During the year, we were very glad to expand our market share in Japan which contributed the highest profit for the Group. With Japan continuing to be our market focus, we will be working to upgrade and commit our PRC plants to international standards, providing a stronger manufacturing base for us to grow into the profitable markets which demand higher quality products.

Internally, our research and development team has been working on new Structural, Flooring and Moulding plywood products which command higher profit margins for the Group. Additionally, our cautious cost control policies have been highly effective and we are very proud of our efficient cost controls in the past year. Administration expenses decreased, demonstrating the effectiveness of our cost reduction measures.

Looking ahead in 2001, market conditions will be tougher due to the sluggish market coupled with the economic slowdown in the US. However, our professional and experienced management team will remain prudent in the volatile market and will do their best to turn adversity into opportunity. Consolidation of our existing business will continue extending our efficiency and competitiveness while also maintaining and enhancing our leading position in the Asian plywood industry and bringing in better returns to shareholders.

On behalf of the Board, I would like to take this opportunity to express my gratitude to the management and staff for their continuous dedication and invaluable effort in this difficult year. We must also thank our shareholders, investors and customers for their continuing support and confidence.

**Budiono Widodo**

*Chairman*

Hong Kong, 18th April, 2001



**Mr. Budiono Widodo** *Chairman*