



Report of the Directors

The directors herein present their report and the audited financial statements of the Company and of the Group for the year ended 31 December 2000.

CHANGE OF REPORTING CURRENCY

During the year ended 31 December 2000, the directors resolved that the financial statements of the Group should be stated in Hong Kong dollars, instead of United States dollars as used in previous years' financial statements as most of the Group's transactions are conducted and denominated in Hong Kong dollars and currencies closely linked with it. The comparative amounts have been translated into Hong Kong dollars from United States dollars using the applicable rate of exchange.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are the manufacture and sale of plywood and fancy plywood. There were no changes in the nature of the Group's principal activities during the year.



SEGMENTAL INFORMATION

An analysis of the Group's turnover and contribution to profit from operating activities by principal activities and geographical area of sales markets for the year/period ended 31 December 2000 and 1999 is as follows:

	Turnover		Contribution to operating profit	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
By principal activity:				
Manufacture and sale of plywood	10,120	148,267	5,215	(64,457)
Manufacture and sale of fancy plywood	48,331	133,898	24,906	(42,972)
Trading of timber products	—	21,489	—	(8,182)
	<u>58,451</u>	<u>303,654</u>	<u>30,121</u>	<u>(115,611)</u>
By geographical area:				
The People's Republic of China:				
Mainland China	57,579	265,075	30,007	(100,924)
Thailand	872	38,579	114	(14,687)
	<u>58,451</u>	<u>303,654</u>	<u>30,121</u>	<u>(115,611)</u>

RESULTS AND DIVIDEND

The Group's profit for the year ended 31 December 2000 and the state of affairs of the Group and of the Company at that date are set out in the financial statements on pages 23 to 54.

The directors do not recommend the payment of any dividend in respect of the year.

SUMMARY FINANCIAL INFORMATION

The following is a summary of the published combined results and of the assets and liabilities of the Group prepared on the basis set out below:

Results

	Year ended	Period ended			
	31 December 2000 <i>HK\$'000</i>	31 December 1999 <i>HK\$'000</i>	1998 <i>HK\$'000</i>	Year ended 30 September 1997 <i>HK\$'000</i> 1996 <i>HK\$'000</i>	
Turnover	58,451	303,654	440,177	442,978	199,212
Profit/(loss) before tax	23,888	(379,060)	(16,864)	86,900	26,762
Tax	17,183	–	–	(9,204)	(3,510)
Profit/(loss) before minority interests	41,071	(379,060)	(16,864)	77,696	23,252
Minority interests	153	555	10,585	796	172
Net profit/(loss) attributable to shareholders	41,224	(378,505)	(6,279)	78,492	23,424



SUMMARY FINANCIAL INFORMATION (Cont'd)

Assets and Liabilities

	31	31		30 September	
	December	December		1997	1996
	2000	1999	1998	1997	1996
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Fixed assets	116,381	127,998	418,378	299,286	262,618
Long term investments	9,431	10,998	–	–	–
Other long term assets	–	–	21,021	24,937	4,516
Current assets	34,703	53,372	282,820	236,933	65,333
Total assets	160,515	192,368	722,219	561,156	332,467
Current liabilities	32,662	220,123	225,974	88,577	92,227
Long term bank and other loans	23,462	40,451	221,044	146,539	143,988
Long term portion of lease payable	–	–	12,761	–	–
Total liabilities	56,124	260,574	459,779	235,116	236,215
Minority interests	–	4,257	16,341	7,075	7,870
Net assets/(liabilities)	104,391	(72,463)	246,099	318,965	88,382

Notes:

- (1) The summary of the published combined results of the Group for the year ended 30 September 1996 was extracted from the Company's prospectus dated 26 August 1997.
- (2) The Group's consolidated balance sheet as at 30 September 1996 was extracted from the published financial statements for the year ended 30 September 1997, prepared on the basis that the Group had been in existence as at 30 September 1996.
- (3) During the year ended 31 December 2000, the directors resolved that the financial statements of the Group should be stated in Hong Kong dollars instead of United States dollars. The comparative amounts have been translated into Hong Kong dollars from United States dollars using the applicable rate of exchange.

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in note 15 to the financial statements.

FIXED ASSETS

Details of movements in the fixed assets of the Group are set out in note 13 to the financial statements.

BORROWINGS

Details of the Group's borrowings are set out in note 20 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital, together with the reasons therefor, and share options are set out in note 21 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the bye-laws of the Company or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

RESERVES

Details of movements in the reserves of the Group and of the Company are set out in note 22 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2000, the Company had no retained profits available for cash distribution and/or distribution in specie. Under the Companies Act 1981 of Bermuda (as amended), the Company's contributed surplus of HK\$172,934,000 is currently not available for distribution. The Company's share premium account with a balance of HK\$126,998,000 as at 31 December 2000 may be distributed in the form of fully paid bonus shares.



MAJOR CUSTOMERS AND MAJOR SUPPLIERS

24.1% of the Group's sales were attributable to the Group's five largest customers. Sales to the largest customer amounted to 10.8% of the Group's sales.

39.9% of the Group's purchases were attributable to the Group's five largest suppliers. Purchases from the largest supplier amounted to 12.5% of the Group's purchases.

According to the knowledge of the directors, none of the directors, their associates, or any shareholders who owned more than 5% of the Company's issued share capital, had any interest at any time during the year in the Group's five largest customers and suppliers.

DIRECTORS

The directors of the Company during the year were:

Executive directors:

Kwok Viem, Peter	(Appointed on 30 August 2000)
Ma Ting Hung	(Appointed on 30 August 2000)
Li So Mui	(Appointed on 30 August 2000)
Mak Sun Keung, Albert	
Wong Chak Ming, William	(Resigned on 30 August 2000)
Hui Lap Chun	(Resigned on 30 August 2000)
Yiu Wing Ngok, Steve	(Resigned on 31 October 2000)

Independent non-executive directors:

Fan Ren Da, Anthony	(Appointed on 30 August 2000)
Tsang Link Carl, Brian	(Appointed on 30 August 2000)
Li Tze Hoi, Eric	(Resigned on 30 August 2000)
Cheung Chuen Wah, Henry	(Resigned on 30 August 2000)

The independent non-executive directors are not appointed for a specific term as all the directors, without limitation to executive directors, are subject to retirement by rotation and re-election at the annual general meeting in accordance with the bye-laws of the Company.

DIRECTORS (Cont'd)

In accordance with bye-law 86(2) of the Company's bye-laws, Mr. Ma Ting Hung retires and, being eligible, offers himself for re-election at the forthcoming annual general meeting.

In accordance with bye-law 87(1) & (2) of the Company's bye-laws, Mr. Tsang Link Carl, Brian retires by rotation and, being eligible, offers himself for re-election at the forthcoming annual general meeting.

EMOLUMENTS OF DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of directors and the five highest paid individuals in the Group are set out in notes 7 and 8 to the financial statements, respectively.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment other than statutory compensation.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Pursuant to the Company's share option scheme dated 21 August 1997, the board of directors may, on or before 20 August 2007, grant options to employees and executive directors of the Company or any of its subsidiaries to subscribe for shares in the Company. The subscription price is determined by reference to the higher of 80% of the average of the closing share price on The Stock Exchange of Hong Kong Limited for the five trading days immediately preceding the date of the offer of the option and the nominal value of the shares. The maximum number of shares which may be granted under the scheme is 10% of the issued share capital of the Company. As at the balance sheet date, no options had been granted.

Apart from the above, at no time during the year was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the Company's directors, their respective spouse, or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.



DIRECTORS' INTERESTS IN SHARE CAPITAL

At 31 December 2000, the interests of the directors in the shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"), were as set out below:

Director	Number of ordinary shares of HK\$0.01 each in the Company Corporate interests
Kwok Viem, Peter	7,200,000,000
Ma Ting Hung	7,200,000,000

The shares disclosed above are held by United Star International Inc., a company incorporated in the British Virgin Islands, which is beneficially owned as to 50% by Mr. Kwok Viem, Peter and 50% by Mr. Ma Ting Hung.

Save as disclosed above, none of the directors or their associates had any personal, family, corporate or other interest in the securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

DIRECTORS' INTERESTS IN CONTRACTS

No director had a beneficial interest, either direct or indirect, in any significant contract to which the Company, its holding company or any of its subsidiaries was a party during the year.

SUBSTANTIAL SHAREHOLDERS

At 31 December 2000, the following interests of 10% or more in the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

Shareholder	Number of ordinary shares held
United Star International Inc.	7,200,000,000

These interests are also included as corporate interests of Mr. Kwok Viem, Peter and Mr. Ma Ting Hung, as disclosed under "Directors' interests in share capital" above.

SUBSTANTIAL SHAREHOLDERS (Cont'd)

Save as disclosed above, no person, other than the directors of the Company whose interests are set out above, had registered an interest in the share capital of the Company that was required to be recorded under Section 16(1) of the SDI Ordinance.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company, its holding company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited throughout the accounting period covered by the annual report, except that the non-executive directors of the Company are not appointed for specific terms but are subject to retirement by rotation in accordance with the Company's bye-laws.

AUDIT COMMITTEE

In compliance with the requirements of the Code of Best Practice, the Company established an Audit Committee in 1999, presently comprises the two independent non-executive directors of the Company. In establishing the terms of reference for the committee, the directors had regard to the "Guide for the Formation of an Audit Committee" issued by the Hong Kong Society of Accountants in December 1997.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Peter Kwok Viem

Chairman

Hong Kong

12 April 2001