

I am pleased to present the annual report of Fulbond Holdings Limited and its subsidiaries ("the Group") for the year ended 31 December, 2000.

## **RESULTS AND DIVIDENDS**

The Group recorded a turnover of US\$74,533,000 for the year ended 31 December 2000 representing a decrease of approximately 24.4% over the same period of 1999. Loss attributable to shareholders amounted to US\$10,349,000, a decrease of loss by approximately 66.1% compared to last year.

The Board of Directors does not recommend the payment of final dividends in respect of the year ended 31 December 2000.

## **BUSINESS REVIEW**

The Group had been growing rapidly from 1995 to 1997 until second half of 1998 when Asian financial turmoil resulted in the market downturn, which also affected the timber industries adversely. The Group has been experiencing financial difficulty since then. The Group has been working on several possible solutions, which might help financially to bring the Group back to normal and healthy operation.

As announced by the Group on 30 March 2001, it has completed the restructuring agreement with bank creditors and the new investors. Repayments of bank loans are either re-scheduled or waived completely after the injection of new capitals from the investors. The Group under the management of the new Board of Directors has begun on 1 April 2001.

In spite of all the difficult conditions, the Group had achieved considerable business recovery from the loss of US\$30,505,000 in 1999 to a loss of US\$10,349,000 in 2000.

The principal causes of such improvement include, among others:

- (1) The disposal of some poorly performed subsidiaries in China.
- (2) The improvement in sales and net profit from Jilin Fudun Timber Co. Ltd. that has the most substantial investment of the Group.
- (3) The use of information system for reporting and business analysis.

On the revenue side, no significant changes have occurred due to the disposal of some subsidiaries with accumulated heavy losses as mentioned above. Gross margins have improved compared to 1999 levels due to better control on the selection of product mix which yields better margin. Savings in the operating expenses and the manufacturing operations have been able to more than offset the continuous pressure on sale prices.

## **PROSPECTS**

The management anticipates that, after the completion of the restructuring, the Group's financial position would be significantly improved and would provide the necessary stability for management to further focus on the Group's currently core timber business.

Whilst the internal timber market in China is expected to remain very competitive for the year 2001, the management is anticipating a moderate growth in sales revenue and in gross margins. The use of information system will be further emphasized to achieve tighter cost control, higher capacity utilization and improvement in turn over of in the current assets.

In addition to the existing timber business, the Group will seek opportunities to develop new business lines, particularly along the high-tech direction. Among projects being under evaluation, one or two viable ones will be selected for carrying out. We would not rule out the possibility of issuing new shares for fresh capitals; the timing and execution depend on market condition and the Group's need.

On behalf of the Board, I would like to express my sincere thanks to all our staff, shareholders and the general public for their contribution, trust and support to the Group.

**Yang Ding-Yuan**

*Chairman*

Hong Kong, 27 April 2001