

# Chairman's Statement

I am pleased to present the operating results of I-Wood International Holdings Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31st March 2001. This is the first audited annual report since the Company became publicly listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 23rd October 2000.

## RESULTS

The Group achieved remarkable performance for the year ended 31st March 2001. Turnover was approximately HK\$ 193 million, representing a growth of approximately 14% from the previous year. The net profit attributable to shareholders was approximately HK\$42 million, a 25% increase as compared with last year. The Group's major markets are Japan and the PRC which accounted for respectively, about 85% and 11 % of the turnover of the Group for the year ended 31st March 2001.

## BUSINESS OVERVIEW

The Group is principally engaged in the design, manufacture and sale of a wide range of wooden furniture products including desks, tables, chairs, cupboards, beds, sofas cabinets and garden accessories. These products are manufactured under the in-house design and are either sold on an ODM basis, i.e. without designated brand names, or under the Group's brand name "Ximenbao".

The production facilities of the Group are located at Xinyang Industrial District, Haicang, Xiamen, Fujian Province, the PRC with a total site area of about 64,000 sq.m.. Resources have been put in for further increasing the Group's production capacity. During the year, a new industrial building has been completed, resulting in a total gross production floor area of about 24,000 sq.m.. With the increase in production capacity, the Group will further strengthen with the ability to meet the growing demand of its products.

The Group's business registered a remarkable growth during the year. The growth in turnover was the result of the increase in marketing efforts made by the Group to introduce its products to the existing customers. The high quality standards and the wide range of products it offers also secure increased orders from the existing and new customers. The Directors attribute the success to its strategy of **"premium quality at low cost"**.

## PROSPECTS

For the year ended 31st March 2001, over 85% of the Group's products are exported to the Japanese market. Currently, Japan is under economic restructure reform and our export to Japanese market will be adversely affected if there is any change in economic and market conditions. The Directors believe that the Japanese wooden furniture market is very competitive and the consumers are very sensitive to price and quality.

The Group believes that a heavy reliance on manufacturing of wooden furniture requires a substantial amount of working capital. And in view of the potential risk of shrinking profit margin due to the vast competition in Japan, the Group plans to place more resources on the trading activities.

The Directors also believe the rapid development of e-commerce will gradually change the purchasing habit of consumers. And the Group intends to develop e-commerce as additional trading tools to other potential markets.

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In the coming year, the Group will place more emphasis on quality control through recruitment of staff and implementation of quality improvement plan. The Directors believe that high quality standards will maintain our competitive edge.

In order to minimize the reliance on Japanese market, the Group intends to explore other potential markets. The Directors believe that the PRC market is full of business opportunities but is also competitive due to the large amount of wooden furniture suppliers in the region. As such, the Group plans to differentiate its products from other competitors through branding. The Group will promote its brand name "Ximenbao" in the PRC and establish more marketing and distribution channels.

The Group is currently in a sound financial position with approximately HK\$31 million cash and bank balances. Approximately HK\$15 million is held in Hong Kong dollar and the rest is held in RMB. The Group may diversify its investments to other potential industries with favorable investment return and good prospect.

### DIVIDENDS

The Directors of the Company do not recommend the payment of any final dividend for the year.

### APPRECIATION

I would like to take this opportunity to express my most sincere thanks and gratitude to my fellow Directors and the Group's management and staff for their dedicated loyalty and devoted service and to our suppliers, customers, bankers and shareholders for their continual support.

On behalf of the Board

**Yau Kwai Tun**

*Chairman*

10th July 2001