

INTERIM DIVIDEND

The Directors resolved not to pay an interim dividend for the six months ended 30 June 2001 (six months ended 30 June 2000: Nil).

BUSINESS REVIEW AND PROSPECT

The first half of the year was a period of business repositioning for the Group. The management has been putting every effort to strengthen its core business and reinforce its brand name. To overcome the fiercely competitive market and to respond to the acute price pressure, the Group implemented new pricing strategies and adjusted its product mix to maintain its market penetration. Whilst putting tight control on the cost, great emphasis has been placed on the product quality.

The operating environment of the wood industry was difficult. The decrease in turnover was caused by the intensified market competition in plywood products, coupled with the continuous decline in demand since last year. The management anticipates growth in the demand in the second half of the year. It looks forward to benefiting from the opening up of untapped markets in the mainland following PRC's imminent accession to the World Trade Organization.

The Group continues to pursue active developments in its core business. One of its initiatives is product reengineering. To expand its market share in the industry and to satisfy the customers' demand and requirements, the Group is formulating a program to expand its production capabilities and diversify its products, revenue and customer base in the year ahead. It is also exploring manufacturing and trading opportunities of timber products in the hope to command a higher profit margin.

To enhance the growth potential of the Group in the long run, the Directors have been forming strategic alliance with strong partners and working hard in business rationalization and diversification. New director with expertise in forestry industry has joined the management. The Directors are actively identifying investment opportunities.

中期股息

董事會決議不派發截至二零零一年六月三十日止六個月之中期股息(截至二零零零年六月三十日止六個月：無)。

業務回顧及展望

上半年度，本集團重新將業務定位。管理層一直致力加強其主要業務及鞏固品牌。因應市場激烈競爭及價格嚴重受壓，本集團實施新定價策略及調節產品組合，以保持市場地位。除了嚴謹監控成本外，本集團亦非常注重產品之質素。

木材業面對經營環境困難。膠合板產品市場競爭白熱化，連同自去年需求持續下降，導致營業額下跌。管理層預期下半年需求會有增長。可望在中國即將加入世界貿易組織之後，能從開發之中國市場中獲益。

本集團繼續積極發展其核心業務。其中一項行動乃重新策劃產品。為擴大市場佔有率及滿足客戶需求及要求，本集團正制定一套計劃以擴大生產能力，及將來年之產品、收益及客戶層面多元化。另亦正研究製造及買賣木材產品之商機，以便爭取更大之邊際利潤。

為促進本集團長遠之增長潛力，董事會一直與強大夥伴組成策略聯盟，以及致力整頓業務及業務多元化。擁有林業專才之新董事已加入管理層。董事會現正積極尋找投資商機。

FINANCIAL REVIEWS

Extracts from Group's financial statements:

Consolidated Profit and Loss Account

		Six months ended 30 June		
		2001	2000	
		截至六月三十日止六個月		
		二零零一年	二零零零年	
		(Unaudited)	(Unaudited)	Result
		(未經審核)	(未經審核)	業績
		HK\$ million	HK\$ million	
		百萬港元	百萬港元	
Turnover	營業額	15.7	32.1	↓ 51.0%
Net profit/(loss) attributable to shareholders	股東應佔溢利／(虧損)淨額	6.7	(13.1)	Significantly improved 顯著改善
Earnings/(loss) per share	每股盈利／(虧損)	cents HK 0.34 港仙	cents HK (10.93) 港仙	Significantly improved 顯著改善

Consolidated Balance Sheet

		30 June	31 December	
		2001	2000	
		二零零一年	二零零零年	
		六月三十日	十二月三十一日	
		(Unaudited)	(Audited)	Result
		(未經審核)	(經審核)	業績
		HK\$ million	HK\$ million	
		百萬港元	百萬港元	
Total assets	總資產	1,298.1	160.5	↑ 7.1 times 倍
Net assets	資產淨值	255.8	104.4	↑ 1.5 times 倍

財務回顧

節錄自本集團之財務報表：

綜合損益表

		Six months ended 30 June		
		2001	2000	
		截至六月三十日止六個月		
		二零零一年	二零零零年	
		(Unaudited)	(Unaudited)	Result
		(未經審核)	(未經審核)	業績
		HK\$ million	HK\$ million	
		百萬港元	百萬港元	
Turnover	營業額	15.7	32.1	↓ 51.0%
Net profit/(loss) attributable to shareholders	股東應佔溢利／(虧損)淨額	6.7	(13.1)	Significantly improved 顯著改善
Earnings/(loss) per share	每股盈利／(虧損)	cents HK 0.34 港仙	cents HK (10.93) 港仙	Significantly improved 顯著改善

綜合資產負債表

		30 June	31 December	
		2001	2000	
		二零零一年	二零零零年	
		六月三十日	十二月三十一日	
		(Unaudited)	(Audited)	Result
		(未經審核)	(經審核)	業績
		HK\$ million	HK\$ million	
		百萬港元	百萬港元	
Total assets	總資產	1,298.1	160.5	↑ 7.1 times 倍
Net assets	資產淨值	255.8	104.4	↑ 1.5 times 倍

The substantial decrease in turnover was caused by the intensified market competition and unexpected sluggish market in the first half of the year. The market is expected to improve gradually in the second half. The Group still focuses on the manufacturing activities in PRC.

There was improvement in the operating results, mainly attributable to interest income of HK\$3.9 million.

Earnings per share were HK0.34 cents, compared with a loss of HK10.93 cents for the prior period.

LIQUIDITY AND FINANCIAL RESOURCES

During the period under review, the Group obtained new funds by issuing shares to the controlling shareholder following a placement to an independent investor by the controlling shareholder. The net proceeds of HK\$146.7 million were used for general working capital purposes. The independent investor subsequently made available to an indirect wholly owned subsidiary of the Company a loan of HK\$1,000 million (the "Facility"). The Facility is guaranteed by the Company and shall only be used for funding a specific investment opportunity (the "Proposed Investment"). Other than this, the Group was free from bank borrowings at the end of June 2001.

The Facility has been fully drawn and the proceeds have been deposited in a designated bank account intact pending the Proposed Investment. As at 30 June 2001, the cash balance (excluding the proceeds of the Facility) was HK\$154.0 million. The Directors are comfortable that there is sufficient cash to satisfy working capital needs and other financing requirement.

The substantial increase in total assets was attributable to the new equity and the Facility and so as the net assets by the equity. The current ratio is 1.2 times at 30 June 2001 (as at 31 December 2000: 1.1 times).

由於上半年市場競爭劇烈及市場狀況出乎意料之呆滯，導致營業額大幅下跌。預期市況將於下半年逐步改善。本集團仍然集中經營中國之製造業務。

經營業績有所改善，主要由於利息收入3,900,000港元所致。

每股盈利0.34港仙，前期則為每股虧損10.93港仙。

流動資金及資金來源

於回顧期間，本集團於控股股東向獨立投資者進行配售後，向控股股東發行股份以獲得新資金。所得款項淨額146,700,000港元用作一般營運資金。其後，該名獨立投資者向本公司一家間接全資附屬公司提供一筆1,000,000,000港元之貸款（「該信貸」）。該信貸由本公司作擔保，只用作特定投資機會（「計劃投資」）之資金。除此以外，本集團截至二零零一年六月底並無銀行借貸。

該信貸已獲全數提取，而所得款項已存入一個指定銀行戶口，以待進行計劃投資。於二零零一年六月三十日，現金結餘（不包括該信貸所得款項）為154,000,000港元。董事會相信有充足現金作營運資金及應付其他融資所需。

總資產大幅上升乃由於獲得新股本及該信貸所致，淨資產亦由新股本所致，於二零零一年六月三十日之流動比率為1.2倍（於二零零零年十二月三十一日：1.1倍）。

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2001, the Group had around 400 full time employees.

The Group remunerated its employees mainly based on the industry practice, individual's performance and experience. Payments to them remain highly competitive. On top of regular remuneration, discretionary bonus, profit sharing and share option may be granted to eligible staff by reference to the Group's performance as well as individual's performance. Other benefits, such as medical and retirement benefits, are also provided.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Pursuant to the Company's share option scheme dated 21 August 1997, the 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 period 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.

僱員及酬金政策

於二零零一年六月三十日，本集團約有400名全職僱員。

本集團主要根據行業慣例、個別員工表現及經驗釐定其僱員之薪酬。本集團給予僱員之薪酬維持優厚。除固定薪酬外，本集團亦可參照本集團業績及個別員工之表現向合資格員工授予酌情花紅、溢利分享及購股權。此外亦提供其他福利，如醫療及退休福利等。

董事認購股份之權利

根據本公司於一九九七年八月二十一日公佈之購股權計劃，董事會可於二零零七年八月二十日或之前，向本公司或其任何附屬公司之僱員及執行董事授出購股權以認購本公司股份。認購價按本公司股份於緊接授出購股權當日前五個交易日，於香港聯合交易所有限公司之平均收市價之80%或股份之面值釐定（以較高者為準）。根據該計劃可以授出之股份最高數目為本公司已發行股本之10%。於結算日，並無已授出之購股權。

除上文所述外，本公司、其控股公司或其任何附屬公司於期內之任何時間，概無訂立任何安排能令本公司董事、彼等各自之配偶或18歲以下子女，透過認購本公司或任何其他法人團體之股份或債券以獲取利益。

DIRECTORS' INTEREST IN SHARE CAPITAL

At 30 June 2001, 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	董事	Number of ordinary shares of HK\$0.05 each in the Company Corporate interests 本公司每股面值0.05港元 之普通股數目 公司權益
Kwok Viem, Peter	郭炎	1,440,000,000
Ma Ting Hung	馬廷雄	1,440,000,000

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 period.

SUBSTANTIAL SHAREHOLDERS

At 30 June 2001, 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 股東	Number of ordinary shares held 持有之普通股數目
United Star International Inc.	1,440,000,000

董事於股本之權益

於二零零一年六月三十日，本公司根據證券(披露權益)條例(「披露權益條例」)第29條所存置之股東名冊所載，董事於本公司及其相聯法團之股份中所擁有之權益如下：

Director	董事	Number of ordinary shares of HK\$0.05 each in the Company Corporate interests 本公司每股面值0.05港元 之普通股數目 公司權益
Kwok Viem, Peter	郭炎	1,440,000,000
Ma Ting Hung	馬廷雄	1,440,000,000

上述披露之股份由United Star International Inc.持有。United Star International Inc.於英屬處女群島註冊成立，由郭炎先生和馬廷雄先生各實益擁有其50%之權益。

除上文所披露者外，各董事或彼等之聯繫人士概無於本公司或按披露權益條例所界定之其任何相聯法團之證券中持有任何個人、家族、公司或其他權益。

董事之合約權益

期內概無董事於本公司、其控股公司或其任何附屬公司所訂立之任何重大合約中直接或間接擁有實益權益。

主要股東

於二零零一年六月三十日，根據披露權益條例第16(1)條本公司所存置之股東名冊所載，擁有本公司已發行股本中之10%或以上之權益之股東載列如下：

SUBSTANTIAL SHAREHOLDERS (Cont'd)

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.

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.

APPOINTMENT OF DIRECTOR

On 27 April 2001, Mr. Tian Yuchuan was appointed as an executive director of the Company.

PURCHASE, REDEMPTION OR SALES 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 six months ended 30 June 2001.

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the accounting period covered by the interim 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.

主要股東(續)

如上文「董事於股本之權益」一節所披露，該等權益亦列作郭炎先生及馬廷雄先生之公司權益。

除上文所披露者外及持有上述權益之本公司董事外，概無任何人士曾登記持有根據披露權益條例第16(1)條須予以記錄之本公司股本權益。

委任董事

於二零零一年四月二十七日，田玉川先生獲委任為本公司執行董事。

購買、贖回或出售上市證券

截至二零零一年六月三十日止六個月，本公司、其控股公司及其任何附屬公司概無購買、贖回或出售本公司之任何上市證券。

遵守最佳應用守則

董事會認為，本公司於本中期報告所述之會計期間內一直遵守香港聯合交易所有限公司證券上市規則附錄十四之最佳應用守則，惟獨本公司非執行董事並無特定任期但須根據本公司細則輪候告退。

AUDIT COMMITTEE

In compliance with the requirements of the Code of Best Practice, the Company has an Audit Committee, 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.

PUBLICATION OF INTERIM REPORT

The 2001 Interim Report containing all information required by paragraphs 46(1) to 46(6) of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited will be published on the website of The Stock Exchange of Hong Kong Limited in due course.

On behalf of the Board

Peter Kwok Viem

Chairman

Hong Kong, 31 August 2001

審核委員會

為遵守最佳應用守則之要求，本公司設有一個審核委員會，目前由本公司兩位獨立非執行董事組成。在制定該委員會之權責範圍時，董事會已參考一九九七年十二月由香港會計師公會就成立審核委員會所發出之指引。

刊登中期報告

二零零一年中期報告(載有所有香港聯合交易所有限公司證券上市規則附錄十六第46(1)至46(6)段所要求之資料)將於適當時間於香港聯合交易所有限公司之網頁刊登。

承董事會命

主席

郭炎

香港，二零零一年八月三十一日