

BUSINESS REVIEW AND PROSPECTS

The Group's unaudited consolidated turnover for the six months ended 30 June 2001 was US\$17,481,000 representing a decrease of 57.7% when compared to last year's figures of US\$41,315,000. The decrease in turnover mainly due to a partial disposal of a former 67.47% owned subsidiary and a deemed disposal of a 51% owned former subsidiary in second half of 2000. These two former subsidiaries became associates of the Group.

Profit for the period was US\$28,881,000 representing a significant increase of 764.4% over the corresponding period last year.

The Group's encouraging performance during the period under review was mainly due to the completion of restructuring proposal and the bank loans and interest provision written back.

Pursuant to a restructuring scheme (the "Scheme") involving, inter alia, capital reduction, compromise agreement with certain of the Group's bankers, subscription agreement with GILL, whitewash waiver, participation offer, change of name, and general mandates to issue and repurchase securities, a special general meeting was held on 23 March 2001 and a number of resolutions were passed by the members to sanction the Scheme. The Scheme had been completed on 30 March 2001. Details of the Scheme are set out in a circular dated 5 February 2001 issued in connection with the restructuring.

Following the restructuring of the Group in April 2001, the Company will gradually diversify its scope of business to high technology and related business.

In early July 2001, the Company announced to ally as the strategic partner, Z-Com to distribute the wireless LAN. The move marks the first step for the Group to diversify from its existing timber business into high technology arena.

With the foresee entry of the PRC to the World Trade Organisation (WTO), the Company is optimistic that the timber business will provide steady income to the Group.

The Directors will continue to vigorously identify further potential hi-tech investments.

In September 2001, the Company allotted and issued an aggregate of 790 million new shares to its major shareholder, GILL following a placing of same amount of shares to some professional and institutional investors. Proceeds will be used for the development of high-tech business of the Group.

The Company is currently in preliminary discussion with certain connected parties in relation to certain possible investments in companies related to the Company's core businesses in the timber and technology related industries. However, no terms and agreement for these possible investments have been agreed or finalised.