

## PROSPECTS

For the period under review, over 75% of the Group's products are exported to the Japanese market. Currently, Japan is undergoing an economic restructuring and the Japanese wooden furniture market is very competitive. The 9-11 Attack issue, the war threat and the fear of a recession of the global economy will inevitably adversely affect the consumers' desires in spending. In order to minimize the reliance on Japanese market and to explore other potential markets that still have economic growth, the Directors target to further explore the Mainland China market which is full of business opportunities despite it is also competitive due to the large amount of wooden furniture suppliers in the region.

As the manufacturing of wooden furniture requires a substantial amount of working capital, the Group plans to spend more resources on the trading activities.

With PRC's imminent entry into the World Trade Organisation, the Group foresees increasing investment opportunities and a more open and favourable business environment in the Mainland China. On 30th August, 2001, the Group entered into a subscription agreement with Best Mineral Resources Limited in relation to its subscription of 140,000,000 shares of the Company of HK\$0.1 each ("Shares") at an issue price of HK\$0.40 per share with a total subscription price of HK\$56 million and a convertible bond at a subscription price of HK\$16 million.

The net proceeds from the subscription will be used principally as additional working capital and to finance future investment opportunities. The Group believes that it can leverage on Best Mineral Resources Limited's connection in the Mainland China to expand its business of wooden furniture products, and to identify future investment opportunities in the Mainland China in relation to its existing business operations.