



Mr. Budiono Widodo
Chairman

To Our Shareholders

The global plywood market has continued to soften, with market conditions being even worse than the difficult years of 1997 and 2000. In 2001, market demand and plywood prices fell to new lows. Under these market conditions, the Group's performance has been considerably affected. For the year ended 31st December 2001, the Group's turnover decreased 9% to US\$117.7 million compared to 2000. Due to the adoption of new accounting policies, the Group has provided impairment loss of US\$55.6 million on certain of its assets. Loss attributable to shareholders therefore enlarged to US\$61.0 million. However, if this factor is disregarded, the Group's performance had actually maintained at a similar level as previous year, loss from ordinary activities was US\$11.0 million comparing to last year's figure of US\$10.0 million.

We believe that our solid foundations in the industry and the committed efforts of staff, have created a solid cushion for our business. Production volumes were maintained at satisfactory levels and thanks to our effective and prudent cost control policies, expenditure has been further pushed down when compared to previous year.

With regard to our product mix, the research and development team has developed a number of new products, enriching our product portfolio and meeting different customers needs. At the same time, it provided the impetus for our expansion into new markets, such as, Thailand and Korea. During the year, we also established a strong foothold in the Japanese market and enhanced our market presence both in Europe and the USA.

Looking ahead to 2002, we expect the market to bottom out, with plywood prices picking up slightly as the economies in major countries turn around. We are currently seeking strategic alliances with possible partners and are working to restore the profitability of the Group. We will continue to improve on costs and quality, to maintain our leading position in the Asian plywood industry. We will also actively identifying new business opportunities, arising out of China's entry into WTO and its hosting of the 2008 Olympics, to bring in better returns for shareholders.

On behalf of the Board, I would like to take this opportunity to express my gratitude to the management and staff for their continuous dedication and invaluable effort during this difficult year. We must also thank our shareholders, investors and customers for their continuing support and confidence.

Budiono Widodo
Chairman

Hong Kong, 15th May, 2002