Front *(From Left to Right)* : Mr. PENG Chiu Ching *(Managing Director)*, Mr. WIDODO Budiono *(Chairman)*, Mr. LIAO Yun Kuang *(President)*

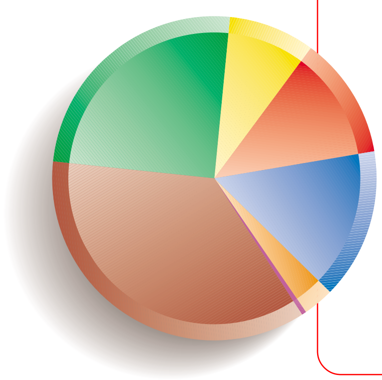
Back *(From Left to Right)* : Mr. WIDODO Sardjono, Mr. KUSNADI Pipin, Mr. LAU Kam Hung, Mr. AU Son Yiu, Mr. MOHAMAD HASLAH Bin Mohamad Amin

Business Review

In 2001, the manufacturing business accounted for the major portion of the Group's business. During the year, the Group's production volumes reached new highs despite the poor market sentiment, with 315,630 cubic meters in 2001. However, turnover dropped 8%, to US$105.5 million, due to the global slowdown which was further compounded by the terrorist attacks in the USA and the devaluation of Japanese Yen. Coupled with weak demand and the increased supply of plywood in the industry, product prices decreased faster than the Group's costs and fixed overheads, leading to an inevitable decline in turnover and profit.

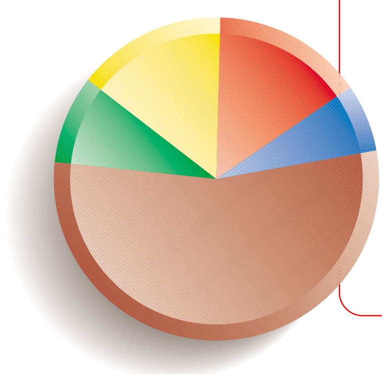
Manuply, the plant in Malaysia is operating almost at 90% capacity, which allows the Group to benefit from economies of scale, and to strengthen its competitiveness. The Manuply plant produced the most well received plywood and flooring products for export to Japan, contributing a major part to the Group's sales. At the same time, the plants in the PRC also reported increases in production volumes. Overall, log costs had not declined significantly, but better recovery and production efficiency had enabled the Group to save on its costs.

Products produced in the Manuply plant received well response from the market. Last year, the Group successfully developed new Structural and Flooring plywood-based products, which carry higher profit margins and account for a significant contribution to the Group's turnover. The research and development team continues trying to develop new products to bring in higher profit margins for the Group.



2001 Turnover By Product Range

Moisture resistant plywood	35.76%
Structural	24.88%
Jamb and mouldings	15.05%
Weather and boil proof plywood	12.19%
Flooring	8.59%
Veneer	3.07%
Others	0.46%



2001 Turnover By Geographical Areas

(By locations where merchandise is delivered)

Japan	54.50%
United States of America	15.00%
Europe	14.87%
The People's Republic of China	8.85%
Others	6.78%

Though the Group's distribution and sales business earned comparatively lower profit margins, the Group is strategically maintaining this business as a source for gathering market information and testing the markets for new products. The Group believes that the distribution and sales business plays an important role in its future business growth.

In addition to effective cost management and a broad customer base, the Group has formed several major alliances with well-known plywood distributors to improve sales. These strategic alliances have enhanced the Group's competitiveness, providing strong foundations for the Group's sales and marketing development. The Group will strengthen these strategic partnerships to broaden future development.

Market Overview

During the year under review, there was a downward trend in the plywood price throughout the entire year. The plywood price in 2001 fell generally by about 13% against last year, and was about 45% lower than 1997 a year also affected by the Asian financial crisis. However, the decrease in log prices were not as steep as plywood prices, standing at about US$85 per cubic meter, and greatly affecting the profit margin of the Group.

For the past 7 years, Japan has become the Group's major market, contributing the highest profit to the Group. Over 50% of the Group's products were exported to Japan. The higher quality and value added plywood products are gradually taking over Japan's domestic products. Group products, such as Structural and Flooring were the most well-received. As Japan is a major consumer of plywood products, the Group will focus more on this market, to bring in higher returns for the

Group. Although, the PRC has become a net exporter of plywood, we are shifting our market strategies where the Group will be marketing plywood-based flooring into China. The Group expects this change of strategy will bring in profits to the Group in the future. Meanwhile, the Group is continuing to expand its market share in the USA and Europe, which accounted for a total of 30% of the Group's turnover.

Prospects

Looking ahead to 2002, the Group believes that market conditions will gradually improve as economic confidence returns to Asia. The Group will consolidate its resources to maximize productivity and profitability. While the Group will continue to focus on the Japanese market, the USA and Europe, other new markets will also be of key interest in the Group's future expansion. The Group will also seek further strategic alliances to improve the profitability of the Group.

It is widely believed that China's membership in WTO and its hosting of the 2008 Olympics will bring a new outlook to the plywood industry. Given that restrictions imposed on foreign trade will be relaxed together with improvements in the PRC's legal systems and infrastructure, the Group's business development in the PRC will be enhanced. At the same time, the Group will maintain its successful cost control measures, improve product quality and on-time delivery, and explore new business opportunities, to bring better returns to shareholders.

Employee Relations

As at 31st December 2001, the Group had about 4,970 staff, about 2,800 of whom worked at the Manuply manufacturing plant in Bintulu, Sarawak, Malaysia and about 2,120 at facilities in the PRC. In-house training programmes were also provided to enhance staff skills and job knowledge and management will continue to foster close co-operation with staff in the future.

Financial Review

The net assets of the Group as at 31st December, 2001 was approximately US$45.8 million, compared to US$106.6 million as at 31st December, 2000. Total bank borrowings of the Group was approximately US$78.8 million and the gearing ratio (total bank borrowing to total net assets) was accordingly 172%, comparing to 74% as at 31st December, 2000.

As at 31st December, 2001, working capital deficiency was approximately US$16.5 million, compared to US$5.8 million as at 31st December, 2000, representing an increase in deficiency of US$10.7 million. The increase was due to the reclassification of certain amount of bank loan from long-term to short term.

The bank loans and other banking facilities were secured by pledges of certain of the Group's property, plant and equipment, floating charges on certain of the Group's inventory and bank balances, corporate guarantees given by the Company and a personal guarantee given by a director of the Company.

The Group will continue to streamline its business and minimise capital expenditures.

Contingent Liabilities

As at 31st December, 2001, the Group's contingent liabilities were approximately US$1.2 million representing discounted bills with recourse.

Foreign Exchange Exposures

Major functional currencies of the Group are United States Dollars, Malaysia Ringgits and Renminbi. All of them are closely linked in term of exchange rate to United States Dollars, the reporting currency of the Group. Foreign currency exposure to the Group is expected to be minimal.

Peng Chiu Ching
Managing Director
Hong Kong, 15th May, 2002