

The Directors have the pleasure of presenting the annual report together with the audited accounts of I-Wood International Holdings Limited (the “Company”) and its subsidiaries (the “Group”) for the fifteen months ended 30th June 2002 (“the period”).

### **GROUP ORGANISATION**

The Company was incorporated in Bermuda on 8th August 2000 as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended). On 28th September 2000, the Company became the holding company of the other companies comprising the Group pursuant to a group reorganisation scheme which included exchanges of shares in preparation for the listing of the Company’s shares on The Stock Exchange of Hong Kong Limited. The shares of the Company were listed on The Stock Exchange of Hong Kong Limited on 23rd October 2000.

Details of the group reorganisation scheme and the basis of presentation of the accounts are set out in Note 35 to the accompanying statements.

### **CHANGE OF FINANCIAL YEAR END**

By a board resolution dated 12th March 2002, the Company changed its financial year end from 31st March to 30th June. Accordingly, the accompany accounts were prepared on a fifteen month basis from 1st April 2001 to 30th June 2002 and the accounts as at and for the year ended 31st March 2001 were presented as comparative figures.

Refer to Note 35 for details of presentation of the prior year comparative figures.

### **PRINCIPAL ACTIVITIES**

The Company is an investment holding company. Its subsidiaries are principally engaged in (i) manufacturing and trading of furniture, and (ii) operation of a cruise ship.

### **MAJOR CUSTOMERS AND SUPPLIERS**

For the period ended 30th June 2002, the five largest customers accounted for approximately 53% (2001: 46%) of the Group’s total turnover and the five largest suppliers of the Group accounted for approximately 35% (2001: 34%) of the Group’s total purchases. The largest customer to the Group accounted for approximately 29% (2001: 17%) of the Group’s total turnover while the largest supplier accounted for approximately 13% (2001: 18%) of the Group’s total purchases.

None of the directors, their associates, or any shareholders (which, to the knowledge of the Directors, owned more than 5% of the Company’s share capital) had a beneficial interest in the aforementioned major customers and suppliers.

## **RESULTS AND APPROPRIATIONS**

Details of the Group's results for the period ended 30th June 2002 are set out in the consolidated income statement on page 15 of this annual report.

The Directors do not recommend the payment of dividend and recommend that the retained profit of approximately HK\$17,103,000 as at 30th June 2002 be carried forward.

## **SUMMARY FINANCIAL INFORMATION**

A summary of the Group's financial information for the last five financial years is set out on pages 66 to 67 of this annual report.

## **SHARE CAPITAL AND SHARE OPTIONS**

Details of movements in share capital and share options of the Company are set out in Note 27 and 28, respectively, to the accompanying accounts.

## **RESERVES AND RETAINED PROFIT**

Movements in reserves of the Group and the Company during the period are set out in Note 29 to the accompanying accounts. Movements in retained profit of the Group during the period are set out in the consolidated income statement on page 15 of this annual report.

As at 30th June 2002, the Company's reserves of approximately HK\$47,442,000 (2001: HK\$55,591,000) (subject to provisions under the Companies Act 1981 of Bermuda (as amended)) were available for distribution to the Company's shareholders.

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares during the period ended 30th June 2002.

## **PRE-EMPTIVE RIGHTS**

There is no provision for pre-emptive rights under the Company's Bye-laws and the laws in Bermuda.

## **SUBSIDIARIES**

Particulars of the Company's subsidiaries are set out in Note 15 to the accompanying accounts.

## **FIXED ASSETS**

Details of movements in fixed assets during the period are set out in Note 14 to the accompanying accounts.

## **BANK BORROWINGS**

Particulars of bank borrowings as at 30th June 2002 are set out in Note 21 and Note 24 to the accompanying accounts.

**RETIREMENT PLANS**

Details of retirement plans are set out in Note 34 to the accompanying accounts.

**CONNECTED TRANSACTIONS**

Certain related party transactions disclosed in Note 4 to the accompanying accounts constituted connected transactions under Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

**DIRECTORS AND DIRECTORS' SERVICE CONTRACTS**

The directors who held office during the period and up to the date of this report are:

**Executive directors**

Mr. Wu Yijian	(Appointed on 19th November 2001)
Mr. Sean Liu	(Appointed on 19th November 2001)
Mr. Mo Keung	(Appointed on 19th November 2001)
Mr. Qin Chuan	(Appointed on 23rd November 2001)
Mr. Xu Kai	(Appointed on 23rd November 2001)
Mr. Yau Kwai Tun	
Mr. Hung Fan Wai, Wilfred	(Resigned on 25th June 2002)
Mr. Ling Xiao Hua	(Resigned on 19th November 2001)

**Independent non-executive directors**

Mr. Paul Zhong	(Appointed on 19th November 2001)
Mr. Hu Yang Xiong	(Appointed on 19th November 2001)
Mr. Lo King Yau, Edwin	(Resigned on 19th November 2001)
Mr. Li Chi Chung	(Resigned on 19th November 2001)

In accordance with the Bye-laws of the Company, Mr. Wu Yijian, Mr. Sean Liu and Mr. Mo Keung will retire from office and, being eligible, offer themselves for re-election. The remaining directors continue in office.

During the period, Mr. Wu Yijian, Mr. Sean Liu, Mr. Mo Keung, Mr. Qin Chuan and Mr. Xu Kai entered into service contracts with the Company for a term of two years commencing from the date of appointment, which will continue thereafter until terminated by either party. Other than these service contracts, none of the Directors have an unexpired service contract with the Company which is not terminable by the Company within one year without payment of compensation other than statutory compensation.

**DIRECTORS' INTERESTS IN SHARES**

As at 30th June 2002, the interests of the Directors and their respective associates in the shares of the Company and its associated corporations as recorded in the register maintained under Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") of the Company were as follows:

Name	Type of interests		Total	Percentage of shares outstanding
	Personal interests	Corporate interests		
Mr. Sean Liu (a)	—	150,000,000	150,000,000	36.65%
Mr. Yau Kwai Tun (b)	—	120,500,000	120,500,000	29.45%

*Notes:*

- (a) Mr. Sean Liu holds 70% equity interest in Best Mineral Resources Limited ("BMRL"). BMRL holds the shares in the Company. Accordingly, Mr. Sean Liu is deemed to be interested in all shares in the Company held by BMRL.
- (b) Mr. Yau Kwai Tun is the sole shareholder of Wealth Vision Investments Limited ("WVIL"). WVIL holds the shares in the Company. Accordingly, Mr. Yau Kwai Tun is deemed to be interested in all shares in the Company held by WVIL.

**DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURE**

Prior to 6th November 2001, the Company has adopted a share option scheme (the "Old Scheme"), under which it may grant options to executive directors and employees of the Group to subscribe for shares in the Company. Details of the Old Scheme are set out in Note 28 to the accompanying accounts.

Movements in the share option under the Old Scheme during the period were as follows:

Date of grant	Exercise period	Subscription price	Number of shares			As at 30th June 2002
			As at 1st April 2001	Exercised during the period	Lapsed during the period	
			'000	'000	'000	'000
28th September 2001	1st December 2000 to 31st March 2004	HK\$0.308	12,645	(6,323)	(6,322)	—

On 6th November 2001, the Old Scheme was terminated pursuant to a special general meeting and a new share option scheme was adopted by the Company (the "New Scheme"). Under the New Scheme, the Company may grant options to executive directors and employees of the Company to subscribe for shares in the Company. Details of the New Scheme are set out in Note 28 to the accompanying accounts.

During the period, no option has been granted under the New Scheme.

Saved as disclosed above, at no time during the period was the Company or any of its subsidiaries or holding companies a party to any arrangements to enable any of the Company's directors or members of its management to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate.

#### **DIRECTORS' INTERESTS IN CONTRACTS**

Save as disclosed in Note 4 to the accompanying accounts, no contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which any of the Company or Directors or members of its management had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the period.

#### **SUBSTANTIAL SHAREHOLDERS**

As at 30th June 2002, according to the register kept by the Company under Section 16(1) of the SDI Ordinance, other than the directors of the Company, the following persons were interested or taken or deemed to be interested in 10% or more of the issued share capital of the Company:

<b>Name</b>	<b>Number of issued shares</b>	<b>Percentage holding</b>
Best Mineral Resources Limited	150,000,000	36.65%
Wealth Vision Investments Limited	120,500,000	29.45%

Save as disclosed above, the Company had no notice of any interests representing 10% or more of the issued share capital of the Company which was required to be recorded under Section 16(1) of the SDI Ordinance as at 30th June 2002.

#### **MANAGEMENT CONTRACTS**

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the period.

#### **AUDIT COMMITTEE**

The Company established an Audit Committee on 28th September 2000 and formulated written terms of reference in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules. The members of the Committee are Mr. Paul Zhong and Mr. Hu Yang Xiong, both being independent non-executive directors of the Company. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control of the Group. During the period, the Audit Committee met twice to discuss the financial reporting process and internal control of the Group.

**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 Listing Rules of The Stock Exchange of Hong Kong Limited throughout the period ended 30th June 2002, except that the independent non-executive directors have not been appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the Company's Bye-Laws.

**AUDITORS**

Messrs. Arthur Andersen & Co audited the accounts of the Company for the year ended 31st March 2001. During the period, Messrs. Arthur Andersen & Co resigned as the auditors of the Company and the Company's directors appointed Messrs. PricewaterhouseCoopers to fill the casual vacancy in a directors' meeting.

The accounts for the period ended 30th June 2002 have been audited by PricewaterhouseCoopers.

On behalf of the Board of Directors,

**Mr. Yau Kwai Tun**

*Chairman*

Hong Kong, 30th October 2002