



I-WOOD INTERNATIONAL HOLDINGS LIMITED

一木國際控股有限公司

(Incorporated in Bermuda with limited liability)

Interim Report 2002/2003

INTERIM RESULTS

The directors (the “Directors”) of I-Wood International Holdings Limited (the “Company”) are pleased to announce the unaudited condensed consolidated financial statements of the Company and its subsidiaries (the “Group”) for the six months ended 31 December 2002 together with comparative figures for the corresponding period of the preceding financial period as follows:

Condensed Consolidated Income Statement

For the six months ended 31 December 2002

		Six months ended	
		31 December	
	<i>Notes</i>	2002	2001
		HK\$'000	HK\$'000
		<i>(unaudited)</i>	<i>(unaudited)</i>
Turnover	4		
— Continuing operations		80,482	—
— Discontinuing operations	3	—	63,734
Cost of operations/sales		<u>(33,076)</u>	<u>(50,235)</u>
Gross profit		47,406	13,499
Other income		193	646
Distribution and selling expenses		—	(13,262)
General and administrative expenses		<u>(12,491)</u>	<u>(9,252)</u>
Profit/(loss) from operations			
— Continuing operations		35,108	(3,073)
— Discontinuing operations		—	(5,296)
Finance costs		(3,820)	(543)
Gain on disposal of subsidiaries		<u>52</u>	<u>—</u>
Profit/(loss) before taxation	5	31,340	(8,912)
Taxation	6	<u>—</u>	<u>708</u>
Profit/(loss) after taxation		31,340	(8,204)
Minority interests		<u>(16,676)</u>	<u>—</u>
Profit/(loss) attributable to shareholders			
— Continuing operations		14,664	(3,085)
— Discontinuing operations	3	—	(5,119)
Earnings/(loss) per share			
— Basic	8	<u>3.58 cents</u>	<u>(2.86) cents</u>
— Diluted	8	<u>3.34 cents</u>	<u>N/A</u>

Condensed Consolidated Balance Sheet
As at 31 December 2002 and 30 June 2002

		As at 31 December 2002 <i>HK\$'000</i> <i>(unaudited)</i>	As at 30 June 2002 <i>HK\$'000</i> <i>(audited)</i>
	<i>Note</i>		
Non-current assets			
Fixed assets	9	189,139	250,351
Goodwill		<u>10,917</u>	<u>12,132</u>
		200,056	262,483
Current Assets			
Inventories		1,052	18,627
Trade receivables	10	13,023	3,664
Prepayments and other receivables		71,050	6,415
Loans receivable		—	3,926
Due from a substantial shareholder		—	1,585
Cash and bank balances		<u>6,071</u>	<u>62,379</u>
Total current assets		91,196	96,596
Current Liabilities			
Short-term bank loans		—	(18,505)
Accruals and other payables		(19,379)	(39,485)
Trade payables	11	(7,145)	(11,317)
Due to a director		—	(656)
Taxation payable		<u>(356)</u>	<u>(17,105)</u>
Total current liabilities		(26,880)	(87,068)
Net current assets		64,316	9,528
Total assets less current liabilities		264,372	272,011
Financed by:			
Share capital		40,922	40,922
Reserves		<u>106,299</u>	<u>91,635</u>
Shareholders' equity		147,221	132,557
Non-current liabilities			
Long-term bank loans		—	3,879
Long-term loan		60,900	96,000
Convertible bond		<u>12,000</u>	<u>12,000</u>
		72,900	111,879
Minority interest		44,251	27,575
		264,372	272,011

Condensed Consolidated Cash Flow Statement

For the six months ended 31 December 2002

	Six months ended	
	31 December	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Net cash generated from (used in) operating activities	9,635	7,194
Net cash used in investing activities	(30,187)	(73,570)
Net cash generated from (used in) financing activities	<u>(35,756)</u>	<u>84,363</u>
Increase (Decrease) in cash and cash equivalents	(56,308)	17,987
Cash and cash equivalents at the beginning of the period	<u>62,379</u>	<u>47,138</u>
Cash and cash equivalents at the end of the period	<u><u>6,071</u></u>	<u><u>65,125</u></u>
Analysis of balances of cash and cash equivalents		
Cash and bank balances	<u><u>6,071</u></u>	<u><u>65,125</u></u>

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 December 2002

	Unaudited					Cumulative translation adjustments	Retained profits	Total
	Share capital	Share premium	Capital reserve	Statutory reserve	Revaluation reserve			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2002	40,922	43,973	19,193	1,799	9,754	(187)	17,103	132,557
Realised on disposal of subsidiaries	—	—	(19,193)	(1,799)	(9,754)	—	30,746	—
Profit for the period	—	—	—	—	—	—	14,664	14,664
At 31 December 2002	40,922	43,973	—	—	—	(187)	62,513	147,221
At 1 April 2001	25,290	1,755	19,193	1,701	7,936	—	44,030	99,905
Profit for the period	—	—	—	—	—	—	2,242	2,242
At 1 July 2001	25,290	1,755	19,193	1,701	7,936	—	46,272	102,147
Issue of shares	14,000	—	—	—	—	—	—	14,000
Exercise of share options	632	—	—	—	—	—	—	632
Net premium on issue of shares	—	39,218	—	—	—	—	—	39,218
Loss for the period	—	—	—	—	—	—	(8,204)	(8,204)
At 31 December 2001	39,922	40,973	19,193	1,701	7,936	—	38,068	147,793
Conversion of convertible bond	1,000	3,000	—	—	—	—	—	4,000
Transfer to statutory reserve	—	—	—	98	—	—	—	98
Surplus on revaluation of land and buildings	—	—	—	—	1,818	—	—	1,818
Translation adjustments	—	—	—	—	—	(187)	—	(187)
Loss for the period	—	—	—	—	—	—	(20,965)	(20,965)
At 30 June 2002	40,922	43,973	19,193	1,799	9,754	(187)	17,103	132,557

Notes:

1. Basis of preparation

These unaudited condensed consolidated interim financial statements of the Group have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited and with Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants.

2. Principal accounting policies

The accounting policies and methods of computation used in preparation of these interim financial statements are consistent with those used in the last audited financial statements for the period ended 30 June 2002, except for the following new/revised SSAPs which are effective and have been adopted for the first time in the preparation of the current period's condensed consolidated financial statements:

SSAP 1 (revised)	:	Presentation of financial statements
SSAP 11 (revised)	:	Foreign currency translation
SSAP 15 (revised)	:	Cash flow statements
SSAP 25 (revised)	:	Interim financial reporting
SSAP 33	:	Discontinuing operation
SSAP 34	:	Employee benefits

The adoption of new/revised standards during the period has no material effect on the Group's results of the current and prior period other than the changes in the format of presentation of consolidated cash flow statement and the consolidated statement of changes in equity. Certain comparative figures have been reclassified to conform with the current period's presentation.

3. Discontinuing operations

The Group has disposed all of its furniture manufacturing and trading operations during the period. The results of such furniture manufacturing and trading operations are presented as discontinuing operations in the consolidated income statement for the six months ended 31 December 2001.

The results of the discontinuing operations are:

	Six months ended 31 December 2001 <i>HK\$'000</i>
Turnover	63,734
Cost of sales	<u>(50,235)</u>
Gross profit	13,499
Distribution and selling expenses	(13,262)
General and administrative expenses	<u>(5,533)</u>
Loss from operations	(5,296)
Finance costs	<u>(531)</u>
Loss before taxation	(5,827)
Taxation	<u>708</u>
Loss attributable to shareholders	<u><u>(5,119)</u></u>

4. Turnover and segment information

The Group is organized into two operating units (i) operating of a cruise ship and, (ii) manufacturing and trading of furniture.

All of the Group's turnover and profit attributable to shareholders were derived from the operating of a cruise ship for the six months ended 31 December 2002, and from the manufacturing and trading of furniture for the six months ended 31 December 2001.

The Group's turnover by geographical area of principal markets based on the place of aboard and destination of shipment of merchandise is analysed as follows:

	Six months ended 31 December	
	2002	2001
	HK\$'000	HK\$'000
Japan	—	53,256
Mainland China	80,482	8,324
Others	—	2,154
	<u>80,482</u>	<u>63,734</u>

Others include Hong Kong, Malaysia, Singapore, Europe and the United States of America.

No analysis of segment results by geographical location is presented as it is generally in line with the distribution of turnover as set out above.

The Group has only one business segment as stated above.

5. Profit/(loss) before taxation

Profit/(loss) before taxation is arrived after charging and crediting the following items:

	Six months ended 31 December	
	2002	2001
	HK\$'000	HK\$'000
After charging		
Staff costs (include directors' emoluments)	4,715	16,225
Depreciation of fixed assets	3,809	1,447
Amortisation of goodwill	1,215	—
Loss on disposal of fixed assets	—	75
Interest expense on		
— bank borrowings	12	154
— long-term loans	3,688	—
— convertible bond	120	—
Operating lease rental of rented premises	299	353
After crediting		
Interest income from		
— bank deposits	12	414
— loans receivable	221	—
Exchange gain	—	30

6. Taxation

The Company and its subsidiaries are subject to income taxes on an entity basis on income arising in or derived from the tax jurisdiction in which they operate.

No provision for Hong Kong profits tax is made as the Group companies operating in Hong Kong do not have any assessable profit for the period. Certain of the Group's subsidiaries operating in the Mainland China are eligible for tax exemptions and concessions. The Mainland China income tax is calculated at the rates applicable to respective subsidiaries.

There is no significant unprovided deferred taxation during the period.

7. Dividend

The Directors have resolved not to declare any interim dividend in respect of the six months ended 31 December 2002 (2001: Nil).

8. Earnings/(loss) per share

The calculation of basic earnings/(loss) per share for the six months ended 31 December 2002 was based on the profit attributable to shareholders of approximately HK\$14,664,000 (2001: loss of approximately HK\$8,204,000) and on the weighted average number of approximately 409,223,000 (2001: 287,193,000) shares in issue during the period.

No potential dilutive shares exist during the period ended 31 December 2001 and accordingly diluted loss per share was not shown.

The calculation of diluted earnings per share in 2002 was based on the profit attributable to shareholders of approximately HK\$14,664,000 and the weighted average number of approximately 439,223,000 shares in issue after adjusting for the effects of all dilutive potential shares. A reconciliation of the weighted average number of shares used in calculating basic and diluted earnings per share is as follows:

	2002 '000
Weighted average number of shares used in calculating basic earnings per share	409,223
Adjustment for potential dilutive effect of conversion of convertible bond	30,000
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Weighted average number of shares used in calculating diluted earnings per share	439,223
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9. Fixed assets

For the six months ended 31 December 2002, the Group has disposed of fixed assets amounting to approximately HK\$58,473,000 attributable to disposal of subsidiaries engaging in furniture manufacturing and trading.

10. Trade receivables

The credit terms of the Group range from 0 to 90 days. An ageing analysis of trade receivables is as follows:

	Six months ended 31 December	
	2002	2001
	HK\$'000	HK\$'000
0 to 30 days	8,563	2,910
31 to 60 days	4,446	592
61 to 90 days	6	23
over 90 days	8	139
	<u>13,023</u>	<u>3,664</u>

11. Trade payables

The credit terms of the Group range from 30 to 90 days. An ageing analysis of trade payables is as follows:

	Six months ended 31 December	
	2002	2001
	HK\$'000	HK\$'000
0 to 30 days	1,872	3,644
31 to 60 days	688	2,326
61 to 90 days	628	1,823
91 to 180 days	658	1,906
181 to 365 days	3,299	1,618
	<u>7,145</u>	<u>11,317</u>

12. Disposal of subsidiaries

	Six months ended 31 December	
	2002	2001
	HK\$'000	HK\$'000
The effect of the disposal are summarized as follows:		
Net assets disposed of	45,948	—
Gain on disposal	<u>52</u>	<u>—</u>
Consideration	<u>46,000</u>	<u>—</u>
Net cash outflow arising on disposal:		
Cash consideration received	5,000	—
Cash and bank balances	<u>(37,895)</u>	<u>—</u>
	<u>(32,895)</u>	<u>—</u>

During the period ended 31 December 2002, the Group disposed of its entire interests in Ambro Investment Limited and Foundation Cast Limited for a consideration of HK\$46,000,000. The disposal of subsidiaries resulted in the discontinued operations of the manufacturing and trading of furniture.

RESULTS

The Group recorded a profit of approximately HK\$14,664,000 for the six months ended 31 December 2002 compared to a net loss of approximately HK\$8,204,000 in last period. This was mainly attributable to the success in transformation of its core operations.

BUSINESS REVIEW AND PROSPECT

In view of poor performance in the Group's furniture business induced by the weak market sentiment, the Group has discontinued and disposed of its furniture manufacturing and trading operations during the period. In doing this, the Group can re-deploy its resources to maximize its returns. It is the Group's strategy to identify investment opportunities in the Mainland China. The investment in Best Paradise Assets Limited in June 2002 demonstrates this strategy as its owns Pacific Cruises (Hainan) Limited ("Pacific Cruises").

Pacific Cruises owns and operates Ming Fai Princess which is passenger cruises which provides passenger cruises services in the South-eastern China. The penetration into the cruise business allowing the Group to transform its business and to tap a new stream of revenue.

The route on which Ming Fai operates passenger cruise ship service between Haikou in Hoi Nan, via Beihai in Guangxi, in the Mainland China, to Halong Bay in Vietnam. In view of the ever-increasing standards of living in the Mainland China, with GDP continues to grow over past few years, people are able to afford and pursue a higher quality of life. The passenger cruise ship business in the US and European markets have proven success, resulting in attractive performances. With the increasing affluence of the Chinese, in particular in Southeast China, the cruising industry is an area with high growth potential, and to generate stable income for the Group. The Group intends to expand market share of this passenger cruise ship business while exploring other business opportunities in the market of Mainland China.

LIQUIDITY AND FINANCIAL RESOURCES

The Group continued to fund its operations principally by its internal cash flow generated from its operating activities. As at 31 December 2002, the Group has no outstanding bank borrowings or committed bank credit facilities. No part of the Group's assets was charged to banks, financial institutions or other enterprises for the securing any borrowings or credit facilities. The total interest bearing borrowings of the Group decreased by 44% from approximately HK\$130,384,000 in June 2002 to approximately HK\$72,900,000 in December 2002 and the total debt-to-equity ratio reduced from 1.7 in June 2002 to 1.0 in December 2002. And the balance of sale proceeds from disposal of Ambro Investment Limited and Foundation Cast Limited amounting to HK\$41,000,000, which included in other receivables, has been received by the Company in January 2003.

With respect to foreign exchange exposure, as the Group's earnings are primarily denominated in Renminbi and the exchange fluctuation between Renminbi and Hong Kong dollar was steady during the period under review, has no significant exposure to foreign exchange rate fluctuations.

EMPLOYEE

As at 31 December 2002, the Group employed approximately 200 (2001: 1,000) full time employees, of which 195 (2001: 995) were based in Mainland China. Headcount decreased mainly due to disposal of furniture business. The remuneration of the employees is based on individual merits and years of experience.

DIRECTORS' INTERESTS IN SECURITIES

As at 30 December 2002, the interests of Directors in the shares of the Company and its associated corporations (as defined in the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")) as recorded in the register maintained by the Company under section 29 of the SDI Ordinance or as otherwise notified the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

Name of Director	Number of shares
Mr. Liu Sean	<i>(Note)</i> 150,000,000

Note: 150,000,000 shares were registered in the name of Best Mineral Resources Limited ("Best Mineral"), a private company which is beneficially owned by Mr. Liu Sean as to 70%.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable the directors, their respective spouses or children under the age of 18 to acquire shares or debentures of the Company.

SUBSTANTIAL SHAREHOLDERS

The register of substantial shareholders required to be maintained under Section 16(1) of the SDI Ordinance show that as at 31 December 2002, the Company has been notified of the following substantial shareholders' interests, being 10% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the directors and chief executives.

Name of Shareholders	Number of shares
Best Mineral Resources Limited	150,000,000
Wealth Vision Investments Limited (<i>Note</i>)	83,950,000

Note: Wealth Vision Investments Limited is a private company wholly owned by Mr. Yau Kwai Tun, a previous director of the Company.

Saved as disclosed above, as at 31 December 2002, the Company had not been notified of any other interests representing 10% or more of the issued share capital of the Company.

CHANGE OF DIRECTORSHIP

Mr. Yau Kwai Tun retired as a director of the Company at the Annual General Meeting held on 16 December 2002 in accordance with the Bye-laws of the Company and he was not offered himself for re-election.

The Board would like to express appreciation to Mr. Yau for his valuable contributions to the Company.

SHARE OPTION SCHEME

In accordance with the terms of the share option scheme adopted by the Company on 6 November 2001, the Company may grant options to executive directors and employees of the Company to subscribe for shares in the Company, subject to a maximum of 30% of the issued share capital of the Company from time to time excluding for this purpose shares issued in the exercise of options. The subscription price will be determined by the directors by reference to (i) the nominal value of the shares, (ii) the closing price per share as stated in the Stock Exchange, and (iii) the average closing price of the shares quoted on the Stock Exchange on the five trading days immediately proceeding the date of the grant of the options, whichever is higher. At no time during the period was share option granted.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 31 December 2002.

CODE OF BEST PRACTICE

None of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the accounting period covered by the interim report, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, 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.

AUDIT COMMITTEE

The Audit Committee of the Group has reviewed with the management of the group the accounting principles and practices adopted by the Group, its internal controls and financial reporting matters including this interim report.

By Order of the Board

Sean Liu

Director

Hong Kong, 28 March 2003