

The directors are pleased to present the group's Interim Report and condensed accounts for the six months ended 30 November 2000. The consolidated results, consolidated cash flow statement of the group for the six months ended 30 November 2000, and the consolidated balance sheet as at 30 November 2000 of the group, all of which are unaudited and condensed, along with selected explanatory notes, are set out on pages 5 to 14 of this report.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review and prospects

The turnover of the Group for the six months ended 30 November 2000 was HK\$149,967,000 representing a decrease of 20% as compared to last period. The decrease in turnover is attributable to the unabated competition in the construction industry. Some of the competitors adopted a very aggressive pricing strategy to win their market share at a risk of undermining quality and profit.

With severe competition and increase in costs due to tightening changes in legislation or requirements in safety, environmental protection and quality, profit for the period decreased 84%, as compared to last period, to HK\$1,683,000.

There was increasing emphasis for the Group on activities in the building and demolition area and in the timber business for the first half of the accounting period, and this trend is expected to continue into the second half of the period. The first major shipment of logs from our forestry investment in Suriname has already been delivered to its destination port in China. The first phase of the installation and construction of saw mill production line has been completed and trial operations of the saw mills are underway. This means that in the future, more logs will be turned into sawn products in order to achieve more value added.

Financial position

The Group mainly finances its operations with internally generated resources and banking facilities. At 30 November 2000, the Group has a total borrowings of bank loans, overdrafts and other borrowings in the amount of HK\$141,234,000 (31 May 2000: HK\$127,649,000) of which, an amount of HK\$115,771,000 (31 May 2000: HK\$103,959,000) was repayable within 1 year. All of the borrowings were denominated in Hong Kong Dollars.

At 30 November 2000, the Group has a gearing ratio (total borrowings to equity) of 50% (31 May 2000: 59%) and a working capital rate of 1.3 (31 May 2000: 2.0).

Material acquisition of subsidiary

On 31 August 2000, the Group through a wholly owned subsidiary, entered into a sale and purchase agreement with two independent individuals to acquire 100% interests in Finestyle Investments (Suriname) N.V. (“Finestyle”), a company incorporated in Suriname, at a consideration of HK\$125 million. Finestyle beneficially holds the freely transferable land use right of a forest concession located in the Forest Belt at Brownsweg, Suriname, Latin America, comprising 27,975 hectare. Finestyle has the exploitation rights on the forest concession and engages in the trading business of timber products. Further details of the transaction are set out in the Company’s circular to shareholders dated 19 September 2000.

Staff and benefit schemes

Including the directors of the Group, as at 30 November 2000, the Group employed a total of 53 full-time employees. The Group has joined a defined contribution retirement scheme which was granted exemption under the Mandatory Provident Fund Scheme on 7 September 2000.

The Group provides benefits, such as medical benefits and other subsidies for its employees and company cars and quarters for its senior employees. Besides, the Group provides in-house training and relevant study courses for its employees.

The Group may invite any full time employees to participate in the share option scheme. Details of share option scheme were disclosed in the offering document dated 19 November 1998.

Details of charges on Group’s assets

At 30 November 2000, net book value of fixed assets held by the Group under finance leases amounted to HK\$31,960,000 (31 May 2000: HK\$37,869,000).

At 30 November 2000, investment properties with aggregate net book value of HK\$41,700,000 (31 May 2000: HK\$41,700,000), vessels with aggregate net book value of HK\$16,905,000 (31 May 2000: HK\$10,924,000), and bank deposits of HK\$36,270,000 (31 May 2000: HK\$30,050,000) were pledged to banks to secure banking facilities granted to the Group.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares, and neither the Company nor any of its subsidiaries purchased or sold any of the Company’s shares during the six months ended 30 November 2000.

DIRECTORS' INTEREST IN SECURITIES

At 30 November 2000, the interests of the directors and chief executives in the shares, warrants and options of the Company, as recorded in the register maintained by the Company under Section 29 of the Securities (Disclosure of Interests) Ordinance or as notified to the Company, were as follows:

	<i>Note</i>	Number of ordinary shares of HK\$0.1 each held			Total
		Personal Interests	Corporate Interests	Other Interests	
Mr. Chan Man Chuen	(i)	—	—	58,923,809	58,923,809
Mr. Vong Pak Cheong	(ii)	—	—	58,923,809	58,923,809
Mr. Mak Kwun Yiu	(iii)	—	6,490,158	—	6,490,158
Mr. Chan Kai Yiu	(iv)	937,500	6,490,158	—	7,427,658
Mr. Wu Zhong Xiang		—	—	—	—
Mr. Shek Lai Him, Abraham (appointed on 7 February 2001)		—	—	—	—
Mr. Lau Tang Lung, Eduardo (resigned on 17 February 2001)		—	—	—	—

Notes:

- (i) These Shares are beneficially owned by Enson Group Limited (“Enson”). Enson has two classes of shares, namely class A and class B. All the class A shares in the issued share capital of Enson are beneficially owned by a capital trust, the discretionary objects of which include Mr. Chan Man Chuen and his family members. Holders of class A shares are entitled to, among other rights, exercise all the voting rights of Enson. All class B shares in the issued share capital of Enson are beneficially owned by an income trust, the discretionary objects of which are Mr. Chan Man Chuen’s brother and nephew. Holders of class B shares are entitled to, among other rights, all dividend income of Enson.
- (ii) These Share are beneficially owned by Joyful Holdings Limited (“Joyful”). Joyful has two classes of shares, namely class A and class B. All the class A shares in the issued share capital of Joyful are beneficially owned by a capital trust, the discretionary objects of which include Mr. Vong Pak Cheong and his family members. Holder of class A shares are entitled to, among other rights, exercise all the voting rights of Joyful. All the class B shares in the issued share capital of Joyful are beneficially owned by an income trust, the discretionary objects of which are Mr. Vong Pak Cheong’s sisters. Holders of class B are entitled to, among other rights, all dividend income of Joyful.
- (iii) These Shares are beneficially owned by Townfair Enterprise Inc., the entire issued share capital of which is beneficially owned by Mr. Mak Kwun Yiu.
- (iv) These Shares are beneficially owned by Gainful International Inc., the entire issued share capital of which is beneficially owned by Mr. Chan Kai Yiu.

SUBSTANTIAL SHAREHOLDERS

The register of substantial shareholders maintained under Section 16(1) of the Securities (Disclosure of Interests) Ordinance shows that as at 30 November 2000, the Company had been notified of the following substantial shareholders' interests, being 10 or more of the Company's issued share capital.

Name of Shareholder	Note	Number of Shares held
Enson Group Limited	(i)	58,923,809
Joyful Holdings Limited	(i)	58,923,809
Tonlok Limited	(ii)	45,944,000
Richcorp Investments Holdings Limited	(ii)	45,944,000
Asia Standard International Group Limited	(ii)	45,944,000
Asia Standard International Limited	(ii)	45,944,000
Asia Standard Development (Holdings) Limited	(ii)	45,944,000

Notes:

- (i) These represent the same parcel of shares as disclosed under "other interests" held respectively by Mr. Chan Man Chuen and Mr. Vong Pak Cheong in the section headed "Directors' interest in Securities" above.
- (ii) These represent the same parcel of shares which are held by Tonlok Limited. Asia Standard International Group Limited, Asia Standard International Limited, Asia Standard Development (Holdings) Limited, Richcorp Investments Holdings Limited are deemed to have interests in these shares as they are holding companies of Tonlok Limited.

COMPLIANCE WITH CODE OF BEST PRACTICE

The Directors confirmed that the Company was in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules governing the Listing of Securities on the Stock Exchange of Hong Kong Limited throughout the six months ended 30 November 2000.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the unaudited interim accounts for the six months ended 30 November 2000.