



Luen Cheong Tai International Holdings Limited

聯昌泰國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

INTERIM REPORT

Six months ended 30 November 2001

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The directors are pleased to present the group's Interim Report and condensed accounts for the six months ended 30 November 2001. The consolidated results, consolidated cash flow statement of the group for the six months ended 30 November 2001, and the consolidated balance sheet as at 30 November 2001 of the group, all of which are unaudited and condensed, along with selected explanatory notes, are set out on pages 1 to 16 of this report.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review and prospects

The turnover for the period of the Group for the six months ended 30 November 2000 was HK\$107,202,000, representing a decrease of 29% as compared with last period. The decrease in turnover is a reflection of the continual slow down of the local construction industry.

With undue competition and increase in costs, the Group suffered a loss for the period amounting to HK\$20,627,000. The profit for the last period was HK\$1,683,000.

The difficult business environment has adversely affected the Group's liquidity, which has been facing a number of litigations instituted by its creditors including financial creditors. The Group continues to negotiate deferred repayment schemes with the creditors concerned while at the same time seeking possible fundings from prospective financiers on appropriate terms to improve the Group's liquidity. The management is confident with its business prospects and expect the Group will accomplish its goals.

The management will look for long term investment opportunities which provide growth and profitability to the Group, and in particular will establish a stronger presence in PRC. The Group continues its negotiation in relation to the proposed acquisition of 100% interest by the Group in Shenzhen Baker Deal Industrial Company Limited ("Shenzhen Baker"), a private company incorporated in PRC. At the extraordinary general meeting held on 26 June 2002, the Company's proposed name change from "Luen Cheong Tai International Holdings Limited" to "Baker Group International Holdings Limited" (the "New Name") was approved by shareholders of the Company. Shenzhen Baker is involved in the development and operation of a major natural gas pipelines to be constructed in Nei Mongol, PRC. The management considers that the said proposed acquisition of Shenzhen Baker and the New Name will pave the way for the Group to participate in further and significant construction and development projects, both inside and outside Mainland China.

Financial position

At 30 November 2001, the Group had total assets of HK\$359,769,000 (31 May 2001: HK\$343,600,000). Total liabilities amounted to HK\$241,703,000 (31 May 2001: HK\$204,920,000), which comprised short-term borrowings of HK\$88,776,000 repayable within one year (31 May 2001: HK\$99,320,000) and long-term borrowings of HK\$31,577,000 (31 May 2001: HK\$ 38,116,000). The net asset value of the Group at 30 November 2001 was HK\$118,066,000 (31 May 2001: HK\$138,680,000). All of the borrowings were denominated in Hong Kong Dollars.

At 30 November 2001, the Group has a gearing ratio (total borrowings to equity) of 102% (31 May 2001: 99%) and a working capital rate (total current assets to current liabilities) of 0.8 (31 May 2001: 0.8).

Staff and Benefit Schemes

As at 30 November 2001, there was 86 full time staff working for the group, of which 26 were engaged in Construction operations, 50 in forest exploitation and timber trading, and 10 in general administration.

The Group operates Mandatory Provident Fund (“MPF”) and a MPF exempted defined contribution schemes. The Group also provides other staff benefits such as medical benefits and subsidies, life insurance, marriage subsidies, company cars and quarters for senior employees.

Contingent Liabilities and Outstanding Litigations

At 30 November 2001, the Group had contingent liabilities and outstanding litigations set out in details in Note 15 to the condensed interim accounts.

Details of charges on Group’s assets

At 30 November 2001, the net book value of machinery and equipment held under finance leases of the Group amounted to HK\$31,446,000 (31 May 2001: HK\$36,084,000).

At 30 November 2001, investment properties and vessels with respective carrying values of HK\$27,320,000 and HK\$1,591,000 (31 May 2001: HK\$30,650,000 and HK\$4,040,000) were pledged to banks to secure banking facilities granted to the Group. No bank deposits were pledged to banks at 30 November 2001 (31 May 2001: HK\$10,610,000).

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 2001.

DIRECTORS' INTEREST IN SECURITIES

At 30 November 2001, 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:

Directors	Note	Number of ordinary shares of HK\$0.1 each held			Total
		Personal Interests	Corporate interests	Other interests	
Mr. Chan Man Chuen	(i)	–	–	60,423,809	60,423,809
Mr. Vong Pak Cheong	(ii)	–	–	60,423,809	60,423,809
Mr. Chan Kai Yiu	(iii)	937,500	6,490,158	–	7,427,658

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 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 2001, 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	<i>Note</i>	Number of Shares held
Enson Group Limited	(i)	60,423,809
Joyful Holdings Limited	(i)	60,423,809
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 2001.

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 2001.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30 November 2001

		Unaudited	
		Six months ended	
		30 November	
		2001	2000
	Note	HK\$'000	HK\$'000
Turnover	2	107,202	149,967
Cost of sales		<u>(104,602)</u>	<u>(124,907)</u>
Gross profit		2,600	25,060
Other revenues		3,174	4,461
Administrative expenses		(15,057)	(14,897)
Selling expenses		(1,673)	(1,185)
Other operating expenses		(847)	(2,718)
Loss on disposal of fixed assets		<u>(1,136)</u>	<u>(639)</u>
Operating (loss)/profit	3	(12,939)	10,082
Finance costs		<u>(7,688)</u>	<u>(7,269)</u>
(Loss)/profit before taxation		(20,627)	2,813
Taxation	4	<u>–</u>	<u>(1,130)</u>
Profit/(loss) attributable to shareholders		(20,627)	1,683
Dividends	5	<u>–</u>	<u>–</u>
(Loss)/profit for the period retained		<u><u>(20,627)</u></u>	<u><u>1,683</u></u>
(Loss)/earnings per share	6	<u><u>(4.6 cents)</u></u>	<u><u>0.5 cents</u></u>

There were no recognised gains or loss other than the net gain or loss for the two periods.

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 November 2001

		Unaudited 30 November 2001 HK\$'000	Audited 31 May 2001 HK\$'000
Fixed assets		88,863	100,565
Timber concession rights	7	100,354	105,256
Current assets			
Inventories		3,018	4,369
Due from related companies		–	1,493
Loan receivable	8	81,289	78,397
Trade receivable	9	33,979	24,905
Temporary advances		9,597	8,945
Deposits and other receivable		39,118	5,273
Tax Recoverable		415	415
Bank deposits pledged		–	10,610
Bank balances and cash		3,316	3,372
		170,552	137,779
Current liabilities			
Due to a related company		22,017	–
Trade payables	10	37,004	43,489
Accrued charges and other payable		46,516	15,263
Trust receipt loans		23,455	26,231
Current portion of long term liabilities	11	18,938	21,348
Taxation payable		5,925	5,622
Short term bank loans		38,777	39,869
Bank overdrafts, secured		7,606	12,094
Other loans		6,778	6,778
		207,016	163,694
Net current liabilities		(36,464)	(25,915)
		152,753	179,906
Financed by:			
Share capital	12	44,505	44,505
Reserves	13	73,561	94,175
Shareholders' funds		118,066	138,680
Long term liabilities	11	21,754	28,293
Convertible notes	14	9,823	9,823
Deferred taxation		3,110	3,110
		152,753	179,906

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 November 2001

	Unaudited	
	Six months ended	
	30 November	
	2001	2000
	HK\$'000	HK\$'000
Net cash inflow from operating activities	<u>10,027</u>	<u>103,741</u>
Net cash outflow from returns on investments and servicing of finance	<u>(4,784)</u>	<u>(2,850)</u>
Net taxation recovered	<u>303</u>	<u>–</u>
Net cash inflow/(outflow) from investing activities	<u>4,523</u>	<u>(112,603)</u>
Net cash (outflow)/inflow from financing	<u>(5,817)</u>	<u>2,152</u>
Increase/(decrease) in cash and cash equivalents	<u>4,252</u>	<u>(9,560)</u>
Cash and cash equivalents at 1 June	<u>(8,722)</u>	<u>(22,515)</u>
Cash and cash equivalents at 30 November	<u><u>(4,470)</u></u>	<u><u>(32,075)</u></u>
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	<u>3,136</u>	<u>5,544</u>
Bank overdrafts, secured	<u>(7,606)</u>	<u>(37,619)</u>
	<u><u>(4,470)</u></u>	<u><u>(32,075)</u></u>

NOTES TO CONDENSED INTERIM ACCOUNTS

1. Accounting policies

These unaudited consolidated condensed interim accounts have been prepared in accordance with Hong Kong Statement of Standard Accounting Practice No. 25 “Interim Financial Reporting” (“SSAP 25”) issued by the Hong Kong Society of Accountants and the Listing Rules of the Stock Exchange of Hong Kong Limited.

The accounting policies and method of computation used in the preparation of these interim accounts are consistent with those used in the annual accounts for the year ended 31 May 2001.

2. Turnover

The Group is principally engaged in construction works, trading of machinery and building materials, letting of machinery and investment properties, and logging operations and holding forest concession rights.

An analysis of the Group’s turnover and contribution to operating profit/(loss) for the period by principal activities and markets is as follows:

	Turnover		Operating profit/(loss)	
	Six months ended		Six months ended	
	30 November		30 November	
	2001	2000	2001	2000
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Principal activities:				
Construction	103,835	140,279	(6,039)	1,300
Machinery, vessels and property rental	950	7,723	(3,796)	1,870
Sale of machinery and building materials	–	1,965	–	(357)
Sales of timber	2,417	–	(10,792)	–
	<u>107,202</u>	<u>149,967</u>	<u>(20,627)</u>	<u>2,813</u>
Principal markets:				
Hong Kong	104,785	149,883	(9,835)	2,942
The People’s Republic of China	1,552	84	(1,760)	(129)
The Republic of Suriname	865	–	(9,032)	–
	<u>107,202</u>	<u>149,967</u>	<u>(20,627)</u>	<u>2,813</u>

3. Operating (loss)/profit

Operating (loss)/profit is stated after charging the following:

	Six months ended	
	30 November	
	2001	2000
	HK\$'000	HK\$'000
Depreciation		
Owned fixed assets	3,495	3,829
Leased fixed assets	2,550	2,507
Amortization of timber concession rights	4,901	1,626
Amortization of expenses in connection with issue of convertible notes	–	663
Amortization of premium on redemption of convertible note	–	158

4. Taxation

No Hong Kong profits tax and overseas profits tax have been made as the Group sustained losses for both Hong Kong and overseas taxation purposes for the period ended 30 November 2001.

The amount of taxation charged to the consolidated profit and loss account represents:

	Six months ended	
	30 November	
	2001	2000
	HK\$'000	HK\$'000
Hong Kong	–	1,130
Overseas	–	–
	<u>–</u>	<u>–</u>
	<u>–</u>	<u>1,130</u>

5. Dividends

The directors do not recommend the payment of an interim dividend for the six months ended 30 November 2001.

6. (Loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the Group's loss attributable to shareholders of HK\$20,627,000 (2000: profit of HK\$1,683,000) and the weighted average of 445,054,501 (2000: 353,578,982) ordinary shares in issue during the period.

Diluted loss per share for each of the periods ended 30 November 2001 and 2000 is not shown as the potential ordinary shares are anti-dilutive.

7. Timber concession rights

Timber concession rights are stated at cost which represent the purchase consideration paid on acquisition of a subsidiary holding the timber concession rights, after deduction of net assets value other than the timber concession rights, less accumulated amortization.

Timber concession rights are amortised on the higher of units-of-production basis and a straight-line basis over the concession period from the date of obtaining the concession until its expiry.

8. Loan receivable

Pursuant to two agreements (the “Agreements”) entered into by the Group on 1 May 2000 and 1 June 2000, a total principal amount of HK\$72,300,000 due to the Group was assigned to an independent third party (the “Assignee”). The Assignee is the legal and beneficial owner of forestry concessions with 54,000 hectares in the district of Sipaliwini, Suriname (the “Forestry Concessions”). The Assignee had undertook to keep the Forestry Concessions free from encumbrance until all the outstanding indebtedness due to the Group has been fully repaid. The amount is interest bearing at 8% per annum and repayable over a period of five years through the supply of timber. Further details are set out in the Management Discussion and Analysis of the Company’s annual reports dated 12 June 2002.

9. Trade receivable

The aging analysis of trade receivable is as follows:

	Within 1 month <i>HK\$'000</i>	1 to 3 months <i>HK\$'000</i>	3 to 12 months <i>HK\$'000</i>	Over 12 months <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance at 30 November 2001	<u>17,481</u>	<u>975</u>	<u>12,485</u>	<u>3,038</u>	<u>33,979</u>
Balance at 31 May 2001	<u>10,163</u>	<u>2,444</u>	<u>5,111</u>	<u>7,187</u>	<u>24,905</u>

The Group granted to its trade customers a normal term of credit period of 30-90 days.

10. Trade payable

The aging analysis of trade payable is as follows:

	Within 1 month <i>HK\$'000</i>	1 to 3 months <i>HK\$'000</i>	3 to 6 months <i>HK\$'000</i>	Over 6 months <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance at 30 November 2001	<u>8,873</u>	<u>4,964</u>	<u>956</u>	<u>22,211</u>	<u>37,004</u>
Balance at 31 May 2001	<u>13,822</u>	<u>12,958</u>	<u>2,855</u>	<u>13,854</u>	<u>43,489</u>

11. Long-term liabilities

	30 November 2001 <i>HK\$'000</i>	31 May 2001 <i>HK\$'000</i>
Bank secured	25,154	33,834
Obligations under finance leases	<u>15,538</u>	<u>15,807</u>
	40,692	49,641
Current portion of long-term liabilities	<u>(18,938)</u>	<u>(21,348)</u>
	<u>21,754</u>	<u>28,293</u>

12. Share capital

	No. of shares of HK\$0.1 each '000	Nominal Value <i>HK\$'000</i>
Authorised:		
At 1 June 2001	1,000,000	100,000
Increase	<u>9,000,000</u>	<u>900,000</u>
At 30 November 2001	<u>10,000,000</u>	<u>1,000,000</u>
Issued and fully paid:		
At 1 June 2001 and 30 November 2001	<u>445,054</u>	<u>44,505</u>

13. Reserves

	Share Premium <i>HK\$'000</i>	Capital Reserve <i>HK\$'000</i>	Investment Property revaluation reserve <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 June 2001	146,293	10,802	–	(19)	(62,901)	94,175
Exchange difference	–	–	–	13	–	13
Loss for the period	–	–	–	–	(20,627)	(20,627)
At 30 November 2001	146,293	10,802	–	(6)	(83,528)	73,561

14. Convertible notes

	30 November 2001 <i>HK\$'000</i>	31 May 2001 <i>HK\$'000</i>
8% Convertible notes	10,900	10,900
Unamortised notes issue expenses	(335)	(335)
Amortization of premium on redemption of Convertible notes	(742)	(742)
	9,823	9,823

15. Contingent liabilities

- (a) At 30 November 2001, a developer had launched arbitration proceedings against the Group whereby the developer claimed a sum of approximately HK\$3,200,000 (2000: HK\$3,200,000) for breach of the construction contract and other relief. No provision on the above has been made as the directors considered that no material loss will be incurred as a result of such proceedings.
- (b) On 8 January 2001 Orient Shipping NV (“OSNV”) commenced proceedings in Hong Kong against Finestyle Wood Industrial Company Limited (“FWI”), a wholly owned subsidiary, claiming a sum of HK\$3,491,000. OSNV alleged that OSNV had entered into an agreement with FWI in connection with delivery of FWI’s timber but FWI had refused to pay additional freight costs of HK\$954,000. FWI and OSNV are seeking arbitration in the High Court. FWI has placed a deposit of US\$200,000 with its solicitor under an Escrow Agreement. On 21 January 2001 the arbitrators issued the First Partial Final Award and FWI had to pay freight costs of HK\$2,544,000 and costs of the award of HK\$39,000 to OSNV. The said sum of HK\$2,583,000 together with interest payable thereon has been settled. OSNV has further proceeded with arbitration seeking inter alia payment of further freight costs and damages for breach of the agreement. The case is currently pending. In the opinion of the directors, sufficient provision has already been made in the accounts.

- (c) On 27 August 2001 litigation was commenced by Dah Sing Bank Limited against Luen Cheong Tai Construction Company Limited (“LCTC”) (as borrower), a wholly owned subsidiary, and the Company (as guarantor) for the failure to repay the outstanding obligation under finance leases plus interest and costs, totalling HK\$621,000. The outstanding obligation under these finance leases were secured by a corporate guarantee provided by the Company and the machinery under this finance lease. On 22 October 2001 judgement was given by the High Court that the Company and LCTC have to pay the above sum.
- (d) On 30 August 2001 litigation was commenced by Hua Chiao Commercial Bank Limited against Finestyle Wood Industrial Company Limited (as borrower), a wholly owned subsidiary, and the Company (as guarantor) for the failure to repay the principal amount of loans plus interest and costs, totalling HK\$3,425,000. The loan was secured by a corporate guarantee provided by the Company and a fixed deposit.
- (e) On 3 September 2001 litigation was commenced by China International Water & Electronic Corporation (“CIWEC”) against the Company for the failure to repay the principal amount due to CIWEC plus interest and costs, totalling HK\$7,378,000. On 22 October 2001 judgement was given by the High Court that the Company has to pay the above sum.
- (f) On 10 September 2001 litigation was commenced by East Asia Credit Company Limited against Luen Cheong Tai Construction Company Limited (“LCTC”) (as borrower), a wholly owned subsidiary, and the Company (as guarantor) for the failure to repay the principal amount of loan plus interest and costs, totalling HK\$4,721,000. The loan was secured by a corporate guarantee provided by the Company. On 30 April 2002 judgement was given by the High Court that the Company and LCTC have to pay the above sum.
- (g) On 25 September 2001 litigation was commenced by Wing Hang Finance Company Limited against Luen Cheong Tai Construction Company Limited (as borrower), a wholly owned subsidiary, and the Company (as guarantor) for the failure to repay the outstanding obligation under a finance lease plus interest and costs, totalling HK\$1,352,000. The outstanding obligation under this finance lease was secured by a corporate guarantee provided by the Company and the machinery under this finance lease.
- (h) On 4 October 2001 litigation was commenced by GE Capital (Hong Kong) Limited against Finestyle Maritime Services Limited (as borrower), a wholly owned subsidiary, and the Company (as guarantor) for the failure to repay the outstanding obligation under a finance lease plus interest and costs, totalling HK\$2,140,000. The outstanding obligation under this finance lease was secured by a corporate guarantee provided by the Company and the equipment under this finance lease.

- (i) On 15 October 2001 litigation was commenced by Jian Sing Bank Limited against Luen Cheong Tai Construction Company Limited (as borrower), a wholly owned subsidiary, and the Company (as guarantor) for the failure to repay the outstanding trust receipt loans plus interest and costs, totalling HK\$4,706,000. The loans were secured by a corporate guarantee provided by the Company.
- (j) On 11 January 2002 litigation was commenced by the Bank of East Asia Limited against Luen Cheong Tai Construction Company Limited (as borrower), a wholly owned subsidiary, and the Company (as guarantor) for the failure to repay the outstanding trust receipt loans plus interest and costs, totalling HK\$4,600,000. The loans were secured by a corporate guarantee provided by the Company.
- (k) On 11 January 2002, a winding-up petition was commenced by Hennabun Resources Limited against Luen Cheong Tai Construction Company Limited (as borrower), a wholly owned subsidiary, for the failure to repay a loan plus interest and costs totalling HK\$12,250,000.
- (l) On 17 May 2002 litigation was commenced by Get Nice Finance Company Limited against the Company (as borrower) and Mr. Chan Man Chuen (as guarantor), for the failure to repay a loan plus interest and costs, totalling HK\$6,000,000 borrowed in July 2001.
- (m) On 24 May 2002 a winding-up petition was commenced by Winfast Engineering Limited (“Winfast”) against Luen Cheong Tai Construction Company Limited (“LCTC”), a wholly owned subsidiary, for the failure to repay the amount due to Winfast, totalling HK\$15,266,000.
- (n) On 4 June 2002 a winding-up petition was commenced by Showa Leasing (Hong Kong) Limited against Finestyle Maritime Services Limited (as borrower), a wholly owned subsidiary, and the Company (as guarantor) for the failure to repay outstanding obligations under finance leases and mortgage loans plus interest and costs totalling HK\$3,979,000. The outstanding obligation under these finance leases were secured by a corporate guarantee provided by the Company and equipment under these finance leases.
- (o) In addition to the above, and in the normal course of business, the Group has received claims for damages and injuries. No provision has been made for these claims as they are either covered by insurance or will be indemnified by other parties.

The directors, after having obtained legal advice, are of the opinion that no significant liability would arise for which additional provision should be made in the accounts.

16. Related party transactions

During the period, the Group entered into the following transactions in the normal course of business with its related companies

		Six months ended 30 November	
	Note	2001 HK\$'000	2000 HK\$'000
Handling fees payable to Well-Joint Machinery Company Limited	(a) (b)	–	203
Rental of land and buildings payable to Winmost Investments Limited	(a) (c)	–	384
Contract revenue receivable from Winfast Engineering Limited	(d)	46,619	91,467

Notes:

- (a) These constitute connected transactions under the Listing Rules. The Company has been granted waiver of these transactions for a period of three years commencing from the date of listing of the Company's shares, from strict compliance with the relevant requirements of the Listing Rules for connected transactions.
- (b) Handling fees payable to the related companies in respect of acquisition of construction machinery and materials.
- (c) Rental of machinery, land and buildings payable to/receivable from related companies were charged at prevailing market rates.
- (d) This is a wholly owned subsidiary of Asia Standard International Group Limited, Asia Standard International Limited, Asia Standard Development (Holdings) Limited and Richcorp Investments Holdings Limited, which are deemed to have interests in the Company through the shares held by Tonlok Limited, a shareholder of the company. The contract revenues were received in accordance with the terms and conditions of the underlying agreement dated 10 July 1999. Further details of the transaction were set out in the Company's announcement dated 24 September 1999.

17. Subsequent events

On 5 February 2002, the Group acquired 100% of the issued share capital of Sky Glory Holdings Limited, a company incorporated in Hong Kong. At a consideration of HK\$14,000,000 satisfied by the issue and allotment of the Company's 87,500,000 new shares at HK\$0.16 per share.

By Order of the Board
Chan Man Chuen
Chairman

Hong Kong, 10 July 2002