

# **REPORT OF THE DIRECTORS**

The directors submit their report together with the audited accounts for the year ended 31st December 2000.

## **GROUP RECONSTRUCTION**

The Company was incorporated in Bermuda on 25th September 2000 as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended). Pursuant to a group reconstruction (the “group reconstruction”) completed on 11th December 2000 in preparation for the listing of the Company’s shares on the Main Board of the Stock Exchange, the Company acquired the entire issued share capital of World Trade Bun Kee (BVI) Ltd. (“World Trade (BVI)”) through a share swap and became the holding company of World Trade (BVI) and its subsidiaries. Details of the group reconstruction are set out in the prospectus of the Company dated 12th December 2000. The Company’s shares were listed on the Stock Exchange on 21st December 2000.

The group reconstruction has been reflected in the accounts by regarding the Company as having been the holding company of the Group from the beginning of the earliest period presented. The basis of preparation for these accounts is set out in note 1 to the accounts.

## **PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS**

The principal activity of the company is investment holding. The activities of the subsidiaries are set out in note 13 to the accounts.

An analysis of the Group’s turnover and contribution to operating profit for the year by principal activity is set out in note 3 to the accounts.

## **RESULTS AND APPROPRIATIONS**

The results for the year are set out in the consolidated profit and loss account on page 21.

The directors do not recommend the payment of a final dividend.

## **RESERVES**

Movements in the reserves of the Group and the Company during the year are set out in note 19 to the accounts.

## DONATIONS

Charitable and other donations made by the Group during the year amounted to HK\$1,003,000 (1999: Nil).

## FIXED ASSETS

Details of the movements in fixed assets of the Group are set out in note 12 to the accounts.

## SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 18 to the accounts.

## FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out below:

|                                                                     | For the year ended 31st December |           |          |           |                |
|---------------------------------------------------------------------|----------------------------------|-----------|----------|-----------|----------------|
|                                                                     | 1996                             | 1997      | 1998     | 1999      | 2000           |
|                                                                     | HK\$'000                         | HK\$'000  | HK\$'000 | HK\$'000  | HK\$'000       |
| <b>Results</b>                                                      |                                  |           |          |           |                |
| Turnover                                                            | 475,921                          | 516,920   | 495,038  | 396,018   | <b>435,501</b> |
| Profit before tax                                                   | 72,226                           | 77,344    | 71,442   | 57,383    | <b>53,309</b>  |
| Tax                                                                 | (11,847)                         | (12,927)  | (11,118) | (7,576)   | <b>(7,570)</b> |
| Profit before minority interest                                     | 60,379                           | 64,417    | 60,324   | 49,807    | <b>45,739</b>  |
| Minority interest                                                   | (16,261)                         | (17,399)  | (14,564) | (8,520)   | –              |
| Net profit from ordinary activities<br>attributable to shareholders | 44,118                           | 47,018    | 45,760   | 41,287    | <b>45,739</b>  |
| <b>Assets and liabilities</b>                                       |                                  |           |          |           |                |
| Total assets                                                        | 240,325                          | 301,495   | 235,689  | 233,886   | <b>292,234</b> |
| Total liabilities                                                   | (163,805)                        | (188,759) | (93,284) | (120,374) | <b>139,885</b> |
| Minority interest                                                   | (23,215)                         | (36,413)  | (47,645) | –         | –              |
| Shareholders' funds                                                 | 53,305                           | 76,323    | 94,760   | 113,512   | <b>152,349</b> |

The results, assets and liabilities of the Group for each of the four years ended 31st December 1999 have been prepared on a combined basis as if the group structure, at the time when the group reconstruction as referred to in note 1 to the accounts was completed, had been in existence throughout the years concerned.

The results, assets and liabilities of the Group for the year ended 31st December 2000 have been prepared on the basis set out in notes 1 and 2 to the accounts.

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

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

## **DIRECTORS**

The directors during the year were:

### **Executive Director**

Mr. Tsang Sik Yin, Eric

Mr. Tsang Chung Yin

Dr. Tsang Ngan Chung

Mr. Tsang Yin

Mr. Chan Churk Kai

Ms. Ngai Chui Ling

### **Independent Non-executive Director**

Mr. Leung Lit On

Mr. Wong Wah On, Edward

In accordance with the Company's Bye-law 99, Dr. Tsang Ngan Chung and Mr. Tsang Yin, retire by rotation and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

In accordance with the Company's Bye-law 102 (B), Mr. Leung Lit On and Mr. Wong Wah On, Edward retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

## **DIRECTORS' SERVICE CONTRACTS**

Mr. Leung Lit On and Mr. Wong Wah On, Edward are independent non-executive directors and were appointed for a one-year term expiring on 30th November 2001.

Each of the executive directors has entered into a service contract with the company for a term of three years commencing from 1st December 2000, which may be terminated by either party thereto giving to the other not less than three calendar months' prior notice in writing. The notice period shall not expire until after the end of the first year. None of the contracts have compensation clauses.

## **BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT**

Brief biographical details of directors and senior management are set out below:

### **DIRECTORS**

#### **Executive Directors**

**Mr. TSANG Sik Yin, Eric**, aged 57, joined the Group in 1986 and is the Managing Director of the Company. He has over 25 years of experience in the trading of pipes, fittings and other related accessories. He is responsible for the co-ordination of all the directors and key management of the Group and the Group's overall business strategies. He holds a Bachelor's Degree in Commerce from the Chinese University of Hong Kong. He is the elder brother of Mr. Tsang Chung Yin, Dr. Tsang Ngan Chung and Mr. Tsang Yin.

**Mr. TSANG Chung Yin**, aged 55, joined the Group in 1986 and has over 25 years of experience in trading of pipes, fittings and other related accessories. He is responsible for the Group's sales and purchases activities. He is a member of the Institute of Plumbing & Register Plumber (U.K.). He is the younger brother of Mr. Tsang Sik Yin, Eric and the elder brother of Dr. Tsang Ngan Chung and Mr. Tsang Yin.

**Dr. TSANG Ngan Chung**, aged 53, joined the Group in 1986 and has over 25 years of experience in trading of pipes, fittings and other related accessories. She is responsible for the finance, administration and personnel operations in the Group. She holds a Doctor's Degree in Economics and Commerce from the Pacific Western University of the United States. She is the younger sister of Mr. Tsang Sik Yin, Eric and Mr. Tsang Chung Yin and the elder sister of Mr. Tsang Yin.

**Mr. TSANG Yin**, aged 52, joined the Group in 1986 and has over 25 years of experience in the trading of pipes, fittings and other related accessories. He is a licensed plumber from office of the Water Authority. He supervises the sales department and civil and plumbing team of the Group. He is the younger brother of Mr. Tsang Sik Yin, Eric, Mr. Tsang Chung Yin and Dr. Tsang Ngan Chung.

**Mr. CHAN Churk Kai**, aged 47, has over 22 years of experience in trading of pipes, fittings and other related accessories. He is responsible for the development and supervision of the sales department. Mr. Chan is an associate member of the Institute of Plumbing (U.K.) and an executive committee of the Hong Kong Plumbing & Sanitary Ware Trade Association Limited. Mr. Chan joined the Group in 1978.

**Ms. NGAI Chui Ling**, aged 41, is the purchasing Director of the Group. She is responsible for the control of stock level and co-ordination of the sales teams of the Group. Ms. Ngai joined the Group in 1979 and has 15 years of experience in the procurement of pipes, fittings and other related accessories.

#### **Independent Non-executive Directors**

**Mr. LEUNG Lit On**, aged 56, is a Notary Public and is a partner of Wilkinson & Grist. Mr. Leung has practised law for 25 years and specialised in conveyancing and commercial field. He is also a Barrister and Solicitor for Australian Capital Territory. He is the Legal Adviser of Mental Health Association of Hong Kong, the Trustee of Staff Superannuation Scheme of City University of Hong Kong and the Director of CityU Professional Services Limited.

**Mr. WONG Wah On**, Edward, aged 37, is a certified public accountant in Hong Kong and a partner of the accounting firm, Tam & Wong, Certified Public Accountants. Mr. Wong has over 10 years of experience in auditing and finance field. He is a fellow member of both the Hong Kong Society of Accountants and The Association of Chartered Certified Accountants. He is also an associate member of the Institute of Chartered Secretaries and Administrators.

#### **SENIOR MANAGEMENT**

**Ms. HUI Yuk Yu**, aged 44, is the financial controller and the company secretary of the Company. She is a fellow member of The Association of Chartered Certified Accountants and an associate member of the Hong Kong Society of Accountants. She is responsible for the supervision of finance, accounting and administration department of the Group. Ms. Hui joined the Group in 1994.

**Ms. CHAN Yuk Fan, Fanny**, aged 37, is the senior sales manager of the Group. Ms. Chan is responsible for the Group's sales operation including the wholesale division and the retail shops. She is also responsible for the training of the new staff of the sales and marketing team of the Group. Ms. Chan has over 10 years of experience in the selling of pipes, fittings and other related accessories. She joined the Group in 1982.

**Ms. LAI Wai Ying, Josie**, aged 39, is the senior sales manager of the Group. Ms. Lai is responsible for the Group's wholesale operation and marketing function. She is also responsible for the training of the new staff of the sales and marketing team of the Group. Ms. Lai joined the Group in 1980 and has approximately 20 years of experience in wholesale industry.

**Ms. LIU Pui Pik, Fanny**, aged 30, is the assistant sales manager of the Group. She has over five years of experience in selling of pipes, fittings and other related accessories. She is responsible for the Group's sales coordination including handling clients' inquiries, making quotation and daily correspondences. Ms. Liu holds a Bachelor of Arts degree from the University of Hong Kong. Ms. Liu joined the Group in 1995.

**Mr. WONG Wai Ho, Gary**, aged 38, is the deputy senior sales manager of the Group and is responsible for the Group's sales and promotion activities. Prior to joining the Group in 1991, Mr. Wong has extensive experience in merchandising and trading activities.

**Mr. KU Chun Ming, Barry**, aged 34, is the sales manager of the Group. Mr. Ku has 14 years of experience in sales and marketing activities. He is responsible for the sales and marketing activities including the exhibitions and seminars. Mr. Ku joined the Group in 1993.

**Mr. CHAN Chi Man, Mann**, aged 31, is the deputy sales manager of the Group. Mr. Chan has 12 years of experience in retail, wholesale and distribution business. He is responsible for the direct sales to contractors and organisation of exhibitions and seminars. Mr. Chan joined the Group in 1994.

**Ms. TAM Siu Hoi, Sandy**, aged 43, is the system manager of the Group. Ms. Tam is in charge of the Group's management and information systems. She is also responsible for the development and enhancement of the Group's applications systems. Ms. Tam joined the Group in 1978.

**Ms. LO Yim Ling, Sonia**, aged 32, is the purchasing manager of the Group. Prior to joining the Group in 1995, she has over 4 years of experience in marketing activities. Ms. Lo is responsible for the procurement function of the Group. Ms. Lo holds a Master's Degree in International Marketing, a Honour Diploma in Marketing and a Diploma in Chartered Institute of Marketing.

**Mr. LAI Kui Chung**, aged 43, is the senior warehouse manager of the Group. Mr. Lai is responsible for the warehouse and transportation activities of the Group. He has over 20 years of experience in supervising warehouse and transportation operations. Mr. Lai holds a Certificate in Store Supervision from a Technical Institute. Mr. Lai joined the Group in 1979.

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

During the year, the Group paid rental expenses to certain related companies. Mr. Tsang Sik Yin, Mr. Tsang Chung Yin, Dr. Tsang Ngan Chung and Mr. Tsang Yin, are interested in these transactions to the extent that they have, either individually or collectively, beneficial interests in these related companies. Details of these transactions are set out in note 25 to the accounts.

Apart from the above, no contracts of significance in relation to the company's business to which the company, its subsidiaries or its holding company was a party and in which a director of the company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

### **MANAGEMENT CONTRACTS**

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

### **CONNECTED TRANSACTIONS**

Significant related party transactions entered by the Group during the year ended 31st December 2000 are disclosed in note 25 to the accounts.

These transactions also constitute connected transactions under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

The independent non-executive directors have reviewed the connected transactions and in their opinion, these transactions were entered into by the Group:

- 1) in the ordinary and usual course of business of the Group;
- 2) on normal commercial terms; and
- 3) in accordance with the relevant agreement governing them and on terms that are fair and reasonable so far as the shareholders of the Company are concerned.

### **DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES**

At 31st December 2000, the interests of the directors and chief executives in the shares of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance")), as recorded in the register maintained by the Company under Section 29 of the SDI Ordinance or as notified to the Company were as follows:

Ordinary shares of HK\$0.1 each in World Trade Bun Kee Ltd.

|                                      | <b>Personal<br/>interests</b> | <b>Family<br/>interests</b> | <b>Corporate<br/>interests</b> | <b>Other<br/>interests</b> | <b>Total</b> |
|--------------------------------------|-------------------------------|-----------------------------|--------------------------------|----------------------------|--------------|
| Tsang Sik Yin, Eric<br>(Notes 1 & 5) | –                             | –                           | 136,926,000                    | –                          | 136,926,000  |
| Tsang Chung Yin<br>(Notes 2 & 5)     | –                             | –                           | 122,400,000                    | 14,364,000                 | 136,764,000  |
| Tsang Ngan Chung<br>(Notes 3 & 5)    | –                             | –                           | 122,400,000                    | 14,364,000                 | 136,764,000  |
| Tsang Yin<br>(Notes 4 & 5)           | –                             | –                           | 122,400,000                    | 14,346,000                 | 136,746,000  |

Notes:

- (1) Click Fort Limited is a company incorporated in the British Virgin Islands, the entire issued share capital of which is owned by Mr. Tsang Sik Yin, Eric. Click Fort Limited directly held 14,526,000 shares in the company.



- (2) Jong Yee Limited is the trustee of the Jong Yee Unit Trust. All units of the Jong Yee Unit Trust are owned by the Karny Trust, the discretionary beneficiaries of which are family members of Mr. Tsang Chung Yin. Jong Yee Limited directly held 14,364,000 shares in the Company.
- (3) Kingsville Inc. is the trustee of the Kingsville Unit Trust. All units of the Kingsville Unit Trust are owned by the Fungming Trust, the discretionary beneficiaries of which are family members of Dr. Tsang Ngan Chung. Kingsville Inc. directly held 14,364,000 shares in the Company.
- (4) Manhattan Properties Limited is owned by St. George's Trust Company Limited which is the trustee of the Manhattan Trust, the discretionary beneficiaries of which are family members of Mr. Tsang Yin. Manhattan Properties Limited directly held 14,346,000 shares in the Company.
- (5) On Top Industrial Limited ("On Top"), a company incorporated in the British Virgin Islands, held 122,400,000 shares in the Company. On Top is beneficially owned as to 25% by Click Fort Limited, as to 25% by Jong Yee Limited, as to 25% by Kingsville Inc. and as to 25% by Manhattan Properties Limited.

Under the terms of the share option scheme (the "Scheme") adopted by the Company on 27th November 2000, the directors of the Company are authorised at their absolute discretion, to invite any full-time employee of the Company or any of its subsidiaries, including any executive director of the Company or any such subsidiary, to take up options to subscribe for shares in the Company. The Subscription price will be determined by the directors, but shall not be less than the higher of 80% of the average of the closing price of the shares on the Stock Exchange for the five trading days immediately preceding the date of the offer of the grant of the option or the nominal value of the shares. A consideration of HK\$10 is payable on acceptance of the grant of an option. The maximum number of shares in respect of which options may be granted under the Scheme may not exceed 10% of the issued share capital of the Company from time to time which has been duly allotted and issued. The Scheme became effective for a period of ten years commencing upon the listing of the Company's shares on the Stock Exchange.

Up to the balance sheet date, no share option had been granted under the Scheme.

## **SUBSTANTIAL SHAREHOLDERS**

The register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance shows that as at 31st December 2000, the company had been notified of the following substantial shareholders' interests, being 10% or more of the Company's issued share capital.

| <b>Name of shareholder</b> | <b>Number of ordinary shares</b> |
|----------------------------|----------------------------------|
| On Top Industrial Limited  | 122,400,000                      |

## **MAJOR CUSTOMERS AND SUPPLIERS**

The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

### Purchases

|                                   |       |
|-----------------------------------|-------|
| – the largest supplier            | 23.5% |
| – five largest suppliers combined | 65.0% |

### Sales

|                                   |       |
|-----------------------------------|-------|
| – the largest customer            | 5.0%  |
| – five largest customers combined | 14.7% |

None of the directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the company's share capital) had an interest in the major suppliers or customers noted above.

## **COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES**

In the opinion of the directors, the Company has complied with the Code of the Best Practice as set out in Appendix 14 of the Listing Rules since the listing of its shares on the Stock Exchange.

## **AUDIT COMMITTEE**

The written terms of reference which describe the authority and duties of the Audit Committee with reference to "A Guide for The Formation of An Audit Committee" published by the Hong Kong Society of Accountants were prepared and adopted by the Board of Directors.

The Audit Committee provides an important link between the Board and the Company's auditors in matters coming within the scope of the audit. It also reviews the effectiveness of the audit and of internal controls and risk evaluation. The Committee comprises two independent non-executive directors, namely Mr. Leung Lit On and Mr. Wong Wah On, Edward. No meetings were held during the current financial year. The committee has, since the listing of the Company, carried out its work in accordance with the authority and duties as adopted by the Board of Directors and has reviewed the accounts for the year.

## **PRE-EMPTIVE RIGHTS**

There is no provision for pre-emptive rights under the Company's bye-laws, or the Companies Act 1981 of Bermuda (as amended), which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

## **YEAR 2000 ISSUE**

To date, the Group has not experienced any Year 2000 non-compliance issues and all business information systems and related computing equipment are functioning smoothly. The directors believe that the Year 2000 issue will have no material impact on the operations of the Group.

## **AUDITORS**

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

**Tsang Chung Yin**

*Director*

Hong Kong, 11th April 2001