

NOTES TO THE FINANCIAL STATEMENTS

1. GROUP RECONSTRUCTION AND BASIS OF PREPARATION

- (a) 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 of Hong Kong Limited (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.
- (b) The group reconstruction is accounted for using merger accounting as permitted by the Hong Kong Statement of Standard Accounting Practice (“SSAP”) 2.127 “Accounting for group reconstructions”. The unaudited condensed consolidated accounts of the Group for the period ended 30th June 2001, including the comparative figures, are prepared as if the Company had been the holding company of the Group from the beginning of the earliest period presented. The unaudited condensed consolidated accounts include the accounts of the Company and its subsidiaries made up to 30th June. Apart from the group reconstruction referred to in (a) above, the results of subsidiaries acquired or disposed of during the period are included in the unaudited condensed consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate. All significant intercompany transactions and balances within the Group have been eliminated on consolidation.

2. PRINCIPAL ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements are prepared in accordance with Hong Kong Statement of Standard Accounting Practice No. 25 “Interim Financial Reporting”. The accounting policies and methods of computation used in the preparation of the interim financial statements are consistent with those used in the Group’s annual financial statements for the year ended 31st December 2000, except that in the current period, the Group has adopted for the first time, a number of new and revised SSAPs issued by the Hong Kong Society of Accountants.

3. SEGMENT INFORMATION

The Group is principally engaged in the trading and distribution of construction materials, mainly water pipes and fittings. The results of operations by principal activity are summarised as follows:

	Trading of construction materials				Other		Group	
	Wholesale		Retail		business			
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
	For the six months ended 30th June							
Segment Turnover	216,474	199,151	11,859	11,971	1,153	1,268	229,486	212,390
Segment Expenses	189,681	168,439	10,004	10,286	429	1,439	200,114	180,164
Segment Result	26,793	30,712	1,855	1,685	724	(171)	29,372	32,226
Unallocated other net expenses							(2,957)	(3,649)
Operating profit							26,415	28,577

Geographical segment information is not shown as the Group's turnover and operating profit are all derived from Hong Kong.

4. OPERATING PROFIT

Operating profit is stated after charging depreciation of HK\$1,463,000 (2000: HK\$1,933,000) and provision for bad debt of HK\$1,379,000 (2000: nil).

5. TAXATION

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profit for the period.

	For the six months ended	
	30th June	
	2001	2000
	HK\$'000	HK\$'000
Hong Kong profits tax	4,075	4,227
Over provisions in previous year	<u>-</u>	<u>(510)</u>
	<u>4,075</u>	<u>3,717</u>

6. DIVIDENDS

		For the six months ended	
		30th June	
		2001	2000
	Note	HK\$'000	HK\$'000
2000 special dividend paid	(i)	-	35,680
2001 interim dividend proposed (4 cents per share)		<u>9,600</u>	<u>-</u>

- (i) Dividends in 2000 represented dividends paid by the subsidiaries to the then shareholders prior to the group reconstruction. The dividend rates and the number of share ranking for the dividends are not presented as this would be hypothetical due to the group reconstruction.

7. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK\$20,007,000 (2000: HK\$22,211,000) and the weighted average of 240,000,000 shares (2000: 180,000,000 shares) in issue during the period.

The weighted average number of shares used in the calculation of diluted earnings per share is based on the weighted average of 240,000,000 shares in issue during the period plus the weighted average of 6,019,337 shares (2000: nil) deemed to be issued at no consideration as if all the Company's outstanding share options had been exercised.

The Company has no potential dilutive ordinary shares that were outstanding during the period ended 30th June 2000.

8. TRADE RECEIVABLES

Details of the ageing analysis are as follows:

	30th June	31st December
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current to 30 days	36,560	27,140
31 days to 60 days	34,581	32,108
61 days to 90 days	21,603	24,733
91 days to 150 days	19,072	17,957
	<hr/>	<hr/>
	111,816	101,938
Less: Provision	(1,379)	–
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	110,437	101,938
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Customers are generally granted with credit terms of 30 days to 120 days.

9. TRADE PAYABLES

Details of the ageing analysis are as follows:

	30th June	31st December
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current to 30 days	2,401	2,929
31 days to 60 days	3,014	2,066
61 days to 90 days	283	9
Over 90 days	149	142
	<hr/> 5,847 <hr/>	<hr/> 142 <hr/> 5,146 <hr/>

10. SHARE CAPITAL

(a) *Share capital*

There were no movements in the share capital of the Company in the current interim reporting period.

(b) *Share Options*

- (i) Under the terms of 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 subsidiary, including any executive director of the Company or any such subsidiary, to take up options to subscribe for shares in the Company.
- (ii) On 16th March 2001, a total of 10,028,000 options with an exercise price of HK\$0.96 per share were granted under the Scheme which are exercisable over a period of four years commencing on 19th March 2002.
- (iii) On 24th May 2001, a total of 1,226,000 options with an exercise price of HK\$0.98 per share were granted under the Scheme which are exercisable over a period of four years commencing on 1st July 2002.

11. RESERVES

	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Merger reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st January 2001	27,758	34,115	3,700	62,776	128,349
Profit attributable to shareholders	–	–	–	20,007	20,007
2001 interim dividend proposed	–	–	–	(9,600)	(9,600)
	<u>27,758</u>	<u>34,115</u>	<u>3,700</u>	<u>73,183</u>	<u>138,756</u>
At 30th June 2001	<u>27,758</u>	<u>34,115</u>	<u>3,700</u>	<u>73,183</u>	<u>138,756</u>

12. RELATED PARTIES TRANSACTIONS

During the period, the Group had the following significant transactions with related parties:

		For the six months ended 30th June	
	<i>Note</i>	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Rental expenses paid to:			
Bun Kee (H.K.) Limited	(i)	2,400	2,400
Bun Kee (China) Limited	(i)	750	1,665
Powerful Agents Limited	(i)	2,880	–
Yin On Investment Company Limited	(i)	<u>–</u>	<u>750</u>

- (i) These companies are beneficially owned and controlled by certain directors of the Company. Rentals were paid to these companies for leasing office premises, retail outlets and warehouses of the Group.

13. CONTINGENT LIABILITIES

	30th June	31st December
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Outstanding letters of credit	18,831	8,971
Indemnities in respect of shipping guarantees given by banks	<u>2,871</u>	<u>3,728</u>
	<u>21,702</u>	<u>12,699</u>

RESULTS

For the period ended 30th June 2001, the Group's turnover and net profit were HK\$229,486,000 (2000: HK\$212,390,000) and HK\$20,007,000 (2000: HK\$22,211,000) respectively.

INTERIM DIVIDEND

The Board resolved to recommend an interim dividend of 4 cents per share for the period ended 30th June 2001. The interim dividend will be payable on 6th November 2001 to shareholders whose names appear on the Register of Members of the Company on 26th October 2001.

CLOSURE OF THE REGISTER OF MEMBERS

The Register of Members will be closed from 23rd October 2001 to 26th October 2001, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged for registration with the Company's Branch Share Registrar in Hong Kong, Central Registration Hong Kong Limited at Room 1901-5, 19th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on 22nd October 2001.

DIRECTOR'S INTERESTS IN SHARES

At 30th June 2001, 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.

	Corporate Interests	Other interests	Total
Tsang Sik Yin, Eric (<i>Notes 1 & 5</i>)	136,926,000	–	136,926,000
Tsang Chung Yin (<i>Notes 2 & 5</i>)	122,400,000	14,364,000	136,764,000
Tsang Ngan Chung (<i>Notes 3 & 5</i>)	122,400,000	14,364,000	136,764,000
Tsang Yin (<i>Notes 4 & 5</i>)	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 Karyn 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 Kingsville Unit Trust. All units of the Kingsville Unit Trust are owned by 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.

DIRECTOR’S RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Pursuant to the Share Option Scheme adopted by the Company on 27th November 2000, the directors of the Company were granted options on 16th March 2001 to subscribe for share in the Company at an exercise price of HK\$0.96 which are exercisable over a period of four years commencing on 19th March 2002 as follows:

Name of director	Number of share options granted
Mr. Tsang Sik Yin, Eric	1,380,000
Mr. Tsang Chung Yin	1,380,000
Dr. Tsang Ngan Chung	1,380,000
Mr. Tsang Yin	1,380,000
Mr. Chan Churk Kai	1,380,000
Ms. Ngai Chui Ling	258,000

Save as aforesaid, at no time during the period was the Company or any of its subsidiaries a party to any arrangement to enable the directors or the chief executive of the Company to acquire benefits by means of the acquisition of shares in or debt securities (including debentures) of the Company or any other body corporate, and none of the directors or the chief executive or their spouses or children under the age of 18 had any right to subscribe for securities of the Company, or had exercised any such right during the period.

SUBSTANTIAL SHAREHOLDERS

The register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance shows that as at 30th June 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	Number of ordinary shares
On Top Industrial Limited	122,400,000

BUSINESS REVIEW AND PROSPECTS

The Group recorded a turnover of HK\$229,486,000 for the six months ended 30th June 2001, representing a growth of 8.05% over the same period last year. This was largely attributable to the increase in sales for the maintenance projects of the property section. Profit attributable to shareholders amounted to HK\$20,007,000, a 9.92% decrease as compared with the same period last year as operating expenses increased during the period under review.

During the period under review, the Group has supplied pipes, fittings and/or other related accessories to several large residential and civil projects namely, MTR Tseung Kwan O Station Extension, MTR North Point Station Interchange, KCR West Rail, MTR Hong Kong Station North Site Development Basement (Two International Finance Centre), 11 Chater Road Central, The Metropolis Hung Hom, The Harbourfront Landmark Hung Hom, The Belcher's Pok Fu Lam, Park Island Ma Wan, Greencove Tai Po, Leighton Hill Causeway Bay, Tseung Kwan O Lot 57 & 66 (Tseung Kwan O Centre) etc. Furthermore, the Group has successfully been appointed as exclusive distributor for two more renowned brands of Fire Collar and Insulation Tubes.

The Board believes that the business environment for the second half-year will be better. The major projects which the Group will start to supply pipes, fittings and/or other related accessories are namely, KCR East Rail Extension, KCR West Rail, Cyber-Port Contract C1, C2 and C3-C4 Pok Fu Lam, Science Park 1A & 1B Tai Po, MTR Hong Kong Station North Site Development Podium & 88 Storey Commercial Building (Two International Finance Centre), Tung Chung Crescent Phase 3, Hotel Development Ma On Shan, Immigration Building Extension Lok Ma Chau, Terminal 9 Tsing Yi, West Office Tower Development Oriental Plaza Beijing & Time Square Chong Qing. As at 30th June 2001, contracts on hand amounted to approximately HK\$120 million for the Group.

In addition, the PRC's imminent accession to the World Trade Organisation is expected to generate opportunities, which provide positive factors for both PRC and Hong Kong property market. The Group has appointed exclusive dealers in several provinces namely Beijing, Guangdong, Guangxi, Yunnan, Sichuan and Hubei. The Group plans to set up a representative office in Shanghai in order to explore the PRC market.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30th June 2001, the cash and bank balance of the Group was HK\$50,086,000 (31st December 2000: HK\$62,593,000). Basically the Group's working capital requirement has been financed by its internal resources and banking facilities. The Group believes that funds generated from internal operations, its existing reserve and the available banking facilities will enable the Group to meet its future cash requirements.

The Group had aggregate banking facilities of approximately HK\$169,855,000 as at 30th June 2001 (31st December 2000: HK\$178,855,000) for term loans and other trade finance facilities. Banking facilities utilised as at 30th June 2001 amounted to approximately HK\$103,774,000 (31st December 2000: HK\$104,838,000).

The Group's borrowings are mainly denominated in Hong Kong Dollars. Banking facilities were granted to the Group which bear interest at prevailing market rates.

The Group conducts its business transactions mainly in Hong Kong Dollars, US Dollars and Australian Dollars. Currency forward contracts were arranged for the transactions denominated in other currencies for hedging purposes. Forward exchange contracts amounting to HK\$2,180,000 were outstanding as at 30th June 2001 (31st December 2000: HK\$1,878,000).

During the period under review, there was no significant deviation from the policies above.

Over 90% of the Group's cash is either denominated in Hong Kong Dollars or US Dollars. The exposure to exchange fluctuation is minimal.

As at 30th June 2001, the gearing ratio (total debts/total assets of the Group) was 0.27 (31st December 2000: 0.32).

STAFF AND EMPLOYMENT

Including the directors of the Group, as at 30th June 2001, the Group employed a total of 160 (31st December 2000: 143) full-time employees. Remuneration is reviewed annually and certain staff members are entitled to commission. In addition to the basic salaries and contributions to the mandatory provident fund, the Group also provides staff benefits including discretionary bonus and medical scheme.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the interim financial statements which have not been audited.

PURCHASE, SALE AND REDEMPTION OF SHARES

There was no purchase, sale or redemption of the Company's shares by the Company or any of its subsidiaries during the six months ended 30th June 2001.

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

None of the Directors is aware of any information that would reasonably indicate that the Company was not 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 for the period.

By Order of the Board

Tsang Sik Yin, Eric

Chairman

Hong Kong, 13th September 2001