

NOTES TO THE FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed interim financial statements are prepared in accordance with Hong Kong Statement of Standard Accounting Practice No. 25, “Interim Financial Reporting”, issued by the Hong Kong Society of Accountants, and Appendix 16 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The accounting policies used in the preparation of the condensed interim financial statements are consistent with those used in the annual financial statements for the year ended 31st December 2001 except for the adoption of the following Statements of Standard Accounting Practice (“SSAP”) issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1st January 2002:

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 operations
SSAP 34	:	Employee benefits

The adoption of the above SSAPs has had no material effect on the Group’s prior year financial statement and on the accounts reported on the current or prior period.

2. 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			
	2002	2001	2002	2001	2002	2001	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	For the six month ended 30th June							
Segment Turnover	195,248	216,474	14,030	11,859	856	1,153	210,134	229,486
Segment Expenses	172,036	189,681	11,287	10,004	346	429	183,669	200,114
Segment Result	23,212	26,793	2,743	1,855	510	724	26,465	29,372
Unallocated other net expenses							(3,584)	(2,957)
Operating profit							22,881	26,415

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

3. OPERATING PROFIT

Operating profit is stated after charging depreciation of HK\$1,455,000 (2001: HK\$1,463,000) and provision for bad debt of HK\$1,000,000 (2001: HK\$1,379,000).

4. TAXATION

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profit for the period.

5. DIVIDENDS

	For the six months ended	
	30th June	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim dividend proposed of HK\$0.015 per share (2001: HK\$0.04 per share)	<u>3,627</u>	<u>9,600</u>

6. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK\$18,069,000 (2001: HK\$20,007,000) and the weighted average of 240,395,978 shares (2001: 240,000,000 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 240,395,978 (2001: 240,000,000) shares in issue during the period plus the weighted average of 4,271,752 shares (2001: 6,019,337) deemed to be issued at no consideration as if all the Company's outstanding share options had been exercised.

7. TRADE RECEIVABLES

Details of the ageing analysis are as follows:

	30th June 2002 <i>HK\$'000</i>	31st December 2001 <i>HK\$'000</i>
Current to 30 days	30,124	35,508
31 days to 60 days	30,619	40,687
61 days to 90 days	23,432	24,270
91 days to 120 days	15,458	8,646
Over 120 days	10,517	4,415
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	110,150	113,526
Less: Provision	(3,022)	(2,022)
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	107,128	111,504
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Customers are generally granted with credit terms of 30 days to 120 days.

8. INVESTMENT IN SECURITIES

	30th June 2002 <i>HK\$'000</i>	31st December 2001 <i>HK\$'000</i>
Listed equity securities in Hong Kong (at market value)	4,663	–
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9. TRADE PAYABLES

Details of the ageing analysis are as follows:

	30th June 2002 <i>HK\$'000</i>	31st December 2001 <i>HK\$'000</i>
Current to 30 days	1,647	3,320
31 days to 60 days	1,728	2,579
61 days to 90 days	397	9
Over 90 days	165	142
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	3,937	6,050
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10. SHARE CAPITAL

	<i>No. of shares</i>	<i>HK\$'000</i>
Authorised:		
Ordinary shares of HK\$0.10 each		
As at 30th June 2002	<u>500,000,000</u>	<u>50,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.10 each		
As at 1st January 2002	240,000,000	24,000
Exercise of options during the period	<u>1,774,000</u>	<u>177</u>
As at 30th June 2002	<u>241,774,000</u>	<u>24,177</u>

The movement of share options granted pursuant to the share option scheme during the period was as follows:

Date of grant	Exercise Price per share	Exercisable Period	Options	Options	Options	Options
			Outstanding as at 1st January 2002	exercised during the period	cancelled during the period	outstanding as at 30th June 2002
16th March 2001	HK\$0.96	19th March 2002 to 18th March 2006	10,028,000	(1,774,000)	(8,254,000)	-
24th May 2001	HK\$0.98	1st July 2002 to 30th June 2006	<u>1,136,000</u>	<u>-</u>	<u>(1,056,000)</u>	<u>80,000</u>
			<u>11,164,000</u>	<u>(1,774,000)</u>	<u>(9,310,000)</u>	<u>80,000</u>

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 2002	27,758	34,115	3,700	96,965	162,538
Profit attributable to shareholders	–	–	–	18,069	18,069
Premium on issue of share	1,526	–	–	–	1,526
2001 final dividend paid	–	–	–	(9,671)	(9,671)
2002 interim dividend proposed	–	–	–	(3,627)	(3,627)
	<u>29,284</u>	<u>34,115</u>	<u>3,700</u>	<u>101,736</u>	<u>168,835</u>
At 30th June 2002	<u>29,284</u>	<u>34,115</u>	<u>3,700</u>	<u>101,736</u>	<u>168,835</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	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Rental expenses paid to:		
Bun Kee (H.K.) Limited	2,400	2,400
Bun Kee (China) Limited	750	750
Powerful Agents Limited	<u>2,880</u>	<u>2,880</u>

Note 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

As at 30th June 2002, the Group had contingent liabilities in respect of outstanding letters of credit and indemnities in respect of shipping guarantees given by banks totalling approximately HK\$7,184,000 (31st December 2001: HK\$15,677,000).