

# 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 2002 except for the adoption of the revised SSAP 12 “Income Taxes”, issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1st January 2003. The adoption of revised SSAP 12 has no material impact on the Group’s interim financial statements.

## 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 activities are summarised as follows:

	For the six months ended	
	30th June	
	2003	2002
	HK\$'000	HK\$'000
Turnover		
Sales of water pipes and fittings	209,952	209,278
Letting and sub-letting business	722	856
	<u>210,674</u>	<u>210,134</u>
Other revenue		
Interest income	224	334
Dividend income	122	27
	<u>346</u>	<u>361</u>
Total revenue	<u>211,020</u>	<u>210,495</u>

Business segment information is not required as the revenue, results and assets of the wholesale business represent more than 90% of the total revenue, results and assets of the Group respectively.

Geographical segment information is not shown as over 90% of the Group's turnover and operating profit are derived from Hong Kong.

## 3. OPERATING PROFIT

Operating profit is stated after charging depreciation of HK\$1,330,000 (2002: HK\$1,455,000).

#### 4. TAXATION

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 16%) on the estimated assessable profit for the period.

No provision for deferred taxation has been made in the interim financial statements as there were no significant timing differences arising from the period or at the balance sheet date.

#### 5. DIVIDENDS

	For the six months ended	
	30th June	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim dividend proposed of HK\$0.015 per share (2002: HK\$0.015 per share)	<u><u>3,628</u></u>	<u><u>3,627</u></u>

#### 6. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK\$15,865,000 (2002: HK\$18,069,000) and the weighted average of 241,854,000 shares (2002: 240,395,978 shares) in issue during the period.

No diluted earnings per share amount is presented for the current period as there were no dilutive potential ordinary shares in existence during the period.

The weighted average number of shares used in the calculation of diluted earnings per share for the period ended 30th June 2002 is based on the weighted average of 240,395,978 shares in issue during that period plus the weighted average of 4,271,752 shares deemed to be issued at no consideration as if all the Company's outstanding share options had been exercised.

#### 7. FIXED ASSETS

During the six months ended 30th June 2003, the Group has acquired investment properties at a cost of approximately HK\$13,890,000 (for the six months ended 30th June 2002: nil).

## 8. TRADE RECEIVABLES

Details of the ageing analysis are as follows:

	<b>30th June 2003 HK\$'000</b>	31st December 2002 HK\$'000
Current to 30 days	33,945	26,219
31 days to 60 days	33,923	27,383
61 days to 90 days	23,754	15,933
91 days to 120 days	14,427	7,705
Over 120 days	10,360	10,615
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	116,409	87,855
Less: Provision	(3,887)	(4,695)
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	<b>112,522</b>	<b>83,160</b>
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Customers are generally granted with credit terms of 30 days to 120 days.

## 9. TRADING INVESTMENTS

	<b>30th June 2003 HK\$'000</b>	31st December 2002 HK\$'000
Listed equity securities in Hong Kong, at market value	2,516	4,958
Gold bullion, at market value	810	-
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	3,326	4,958
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## 10. TRADE PAYABLES

Details of the ageing analysis are as follows:

	<b>30th June 2003 HK\$'000</b>	31st December 2002 HK\$'000
Current to 30 days	3,146	3,064
31 days to 60 days	2,354	1,819
61 days to 90 days	-	105
Over 90 days	9	10
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	5,509	4,998
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## 11. SHARE CAPITAL

30th June 2003

	<i>No. of shares</i>	<i>HK\$'000</i>
Authorised:		
Ordinary shares of HK\$0.10 each	<u>500,000,000</u>	<u>50,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.10 each	<u>241,854,000</u>	<u>24,185</u>

## 12. RESERVES

	<b>Share premium</b>	<b>Capital reserve</b>	<b>Merger reserve</b>	<b>Retained profits</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1st January 2003	29,345	34,115	3,700	104,757	171,917
Profit attributable to shareholders	–	–	–	15,865	15,865
2002 final dividend declared	–	–	–	(4,837)	(4,837)
2003 interim dividend proposed	–	–	–	(3,628)	(3,628)
	<u>29,345</u>	<u>34,115</u>	<u>3,700</u>	<u>112,157</u>	<u>179,317</u>
At 30th June 2003	<u>29,345</u>	<u>34,115</u>	<u>3,700</u>	<u>112,157</u>	<u>179,317</u>

### 13. RELATED PARTIES TRANSACTIONS

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

	For the six months ended	
	30th June	
	2003	2002
	HK\$'000	HK\$'000
Rental expenses paid to:		
Bun Kee (H.K.) Limited	1,496	2,400
Bun Kee (China) Limited	642	750
Powerful Agents Limited	1,802	2,880
	<u>          </u>	<u>          </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.

### 14. CONTINGENT LIABILITIES

As at 30th June 2003, the Group had contingent liabilities in respect of indemnities in respect of shipping guarantees given by banks totalling approximately HK\$306,000 (31st December 2002: HK\$1,126,000).

### 15. CONTINGENT ASSETS

In November 2002, a fire broke out in one of the Group's warehouses and stocks with a total book value of approximately HK\$18,384,000 were damaged. The Group has made an insurance claim of HK\$16 million for loss of stock of goods covered under its insurance policy and the claim is currently being processed by the insurer, Asia Insurance Co., Ltd.. The Group has appointed a Loss Adjuster to negotiate with the insurer and based on the advice of the Loss Adjuster, the Directors consider it is probable that the loss will be recovered.