

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the applicable requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”), the Hong Kong Accounting Standard (“HKAS”) 34: Interim Financial Reporting and other relevant HKASs and Interpretations and the Hong Kong Financial Reporting Standards (“HKFRSs”) issued by The Hong Kong Institute of Certified Public Accountants (“HKICPA”).

Except as described below, the accounting policies and methods of computation used in the preparation of the interim financial statements are consistent with those used in the annual report for the year ended 31st December 2005.

In the current period, the Group adopted the following new/amended standards and interpretations of HKFRS (“new HKFRSs”).

HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures
HKAS 21 (Amendment)	Net investment in a foreign operation
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions
HKAS 39 (Amendment)	The fair value option
HKAS 39 and HKFRS 4 (Amendment)	Financial guarantee contracts
HKFRS-Int 4	Determining whether an arrangement contains a lease

The adoption of these new HKFRSs has had no material impact on the Group’s results and financial position.

2. TURNOVER, REVENUES AND SEGMENT INFORMATION

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

	For the six months ended	
	30th June	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover		
Sales of pipes and fittings	303,051	254,116
Rental income	480	432
Sub-letting of warehouse	71	118
Transportation income	—	6
	<u>303,602</u>	<u>254,672</u>
Other revenues		
Interest income	1,048	256
Dividend income from financial assets	71	111
	<u>1,119</u>	<u>367</u>
Other income		
Insurance compensation	—	1,180
Net exchange gains	971	859
Realised gain on disposal of financial assets	993	231
Gain on disposal of plant and equipment	—	92
Write back of provision for legal compensation	—	1,500
Others	467	889
	<u>2,431</u>	<u>4,751</u>
Total revenues	<u>307,152</u>	<u>259,790</u>

2. TURNOVER REVENUES AND SEGMENT INFORMATION *(Continued)*

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 the following:

	For the six months ended	
	30th June	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Employee benefit expenses (including directors' emoluments)	27,731	23,751
Depreciation of plant and equipment	1,063	1,020
Provision for slow-moving inventories	–	1,186
Provision for impairment of trade and other receivables	1,385	–
Operating lease on land and buildings	6,878	4,924

4. TAXATION

	For the six months ended	
	30th June	
	2006	2005
	HK\$'000	HK\$'000
Current taxation charge:		
– Hong Kong	5,817	5,307
– Overseas	249	–
– Over provisions in prior years	(309)	(17)
	<u>5,757</u>	<u>5,290</u>
Taxation charges	<u>5,757</u>	<u>5,290</u>

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

5. DIVIDENDS

	For the six months ended	
	30th June	
	2006	2005
	HK\$'000	HK\$'000
Interim dividend proposed of HK\$0.02 per ordinary share (2005: HK\$0.02 per ordinary share)	<u>4,837</u>	<u>4,837</u>

6. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK\$27,260,000 (2005: HK\$26,341,000) and the weighted average of 241,854,000 shares (2005: 241,854,000 shares) in issue during the period.

Diluted earnings per share is not presented as there were no dilutive potential ordinary shares in half year ended 30th June 2006 and 2005.

7. TRADE AND OTHER RECEIVABLES

	30th June 2006 <i>HK\$'000</i>	31st December 2005 <i>HK\$'000</i>
Trade receivables	154,712	120,718
Less: provision for impairment of receivables	(7,092)	(5,707)
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Trade receivables – net	147,620	115,011
Prepayments	13,040	11,991
Rental deposits	2,481	2,281
Other receivables	9,103	1,940
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	172,244	131,223
Less: non-current portion	(2,425)	(2,058)
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Current portion	169,819	129,165
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Details of the ageing analysis are as follows:

	30th June 2006 <i>HK\$'000</i>	31st December 2005 <i>HK\$'000</i>
Current to 30 days	47,888	41,480
31 days to 60 days	46,158	31,307
61 days to 90 days	30,664	23,279
91 days to 120 days	18,343	11,309
Over 120 days	11,659	13,343
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	154,712	120,718
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There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers.

8. TRADE AND OTHER PAYABLES

	30th June 2006 HK\$'000	31st December 2005 HK\$'000
Trade payables	5,853	5,690
Accrued expenses and other payables	<u>51,277</u>	<u>53,214</u>
	<u>57,130</u>	<u>58,904</u>

Details of the ageing of the trade payables are as follows:

	30th June 2006 HK\$'000	31st December 2005 HK\$'000
Current to 30 days	4,465	2,680
31 days to 60 days	1,309	1,793
61 days to 90 days	13	1,054
Over 90 days	<u>66</u>	<u>163</u>
	<u>5,853</u>	<u>5,690</u>

9. SHARE CAPITAL

No new shares were issued by the Company during the interim period. As at 30th June 2006, the total share capital of the Company amounted to 241,854,000 ordinary shares, divided into 241,854,000 ordinary shares with a nominal value of HK\$0.10 each.

10. RELATED PARTY TRANSACTIONS

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

	For the six months ended	
	30th June	
	2006	2005
	HK\$'000	HK\$'000
Rental expenses paid to:		
Bun Kee (H.K.) Limited	2,316	1,496
Bun Kee (China) Limited	750	642
Powerful Agents Limited	2,766	1,802
	<u>2,766</u>	<u>1,802</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.

Rental agreements were entered into between the Group and Bun Kee (H.K.) Limited, Bun Kee (China) Limited and Powerful Agents Limited under which these properties were rented to the Group based on market rates as determined by a firm of independent property valuers.

There were no outstanding balance arising from rental expense payables from related parties for the half year ended 30th June 2006 and 2005.