中國管業集團有限公司

CHINA PIPE GROUP LIMITED

(Formerly known as World Trade Bun Kee Ltd.)
(Incorporated in Bermuda with limited liability)
Stock code: 380

ANNUAL REPORT 2007

CONTENTS

EXECUTIVE DIRECTORS
Ms. Wing Man Yi *(Chairman) (Note a)*
Mr. Chan Wing Yuen, Hubert *(Note a)*
Mr. Lam Cheung Shing, Richard *(Note a)*
Mr. Hu Yishi *(Note a)*
Mr. Zhu Yongjun *(Note c)*
Mr. Tsang Chung Yin *(Note d)*
Mr. Tsang Yin *(Note d)*
Mr. Chan Churk Kai *(Note d)*
Dr. Tsang Ngan Chung *(Note d)*
Ms. Ngai Chui Ling *(Note d)*

NON-EXECUTIVE DIRECTORS
Mr. Zhang Yang *(Honourable Chairman) (Note c)*
Mr. Hu Jinxing *(Note a)*

INDEPENDENT NON-EXECUTIVE DIRECTORS
Mr. Lui Tin Nang *(Note b)*
Mr. Ko Ming Tung, Edward *(Note b)*
Mr. Ho Yiu Yue Louis *(Note b)*
Mr. Chan Yuk Ming *(Note d)*
Mr. Wong, Samuel Kwok Hay *(Note d)*
Mr. Chan Yuk Tong *(Note e)*

Notes:
a. Appointed on 11th June 2007
b. Appointed on 3rd July 2007
c. Appointed on 6th July 2007
d. Resigned on 3rd July 2007
e. Appointed on 1st January 2007 and resigned on 3rd July 2007

SECRETARY
Ms. Hung Yuk Kam, Daisy

AUDITOR
PricewaterhouseCoopers
Certified Public Accountants

SOLICITORS
Kirkpatrick & Lockhart Preston Gates Eills
Wong & Fok
Angela Ho & Associates

REGISTRAR IN HONG KONG
Computershare Hong Kong Investor Services Limited
46th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS
Bank of China (Hong Kong) Limited
China Construction Bank (Asia) Corporation Limited
DBS Bank (Hong Kong) Ltd
Hang Seng Bank Limited
ICBC (Asia) Limited
Standard Chartered Bank (Hong Kong) Limited
The Bank of Tokyo-Mitsubishi UFJ, Ltd

REGISTERED OFFICE
Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

HEAD OFFICE
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Tsim Sha Tsui
Kowloon, Hong Kong
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PRINCIPAL PLACE OF BUSINESS
Retail shops
G/F., 618 Shanghai Street, Mongkok, Kowloon
Tel: (852) 2395 0181
Fax: (852) 2787 3421

G/F., No. 30 Hop Yick Road, Yuen Long, N.T.
Tel: (852) 2473 3660
Fax: (852) 2442 2766

Shop A, G/F., No. 7-11 Tai Wong Street East,
Wanchai, Hong Kong
Tel: (852) 2866 6001
Fax: (852) 2866 6339

Rua Da Ribeira Do Patane No. 13, R/C
Macau
Tel: (853) 2855 3693
Fax: (853) 2895 1020

Warehouse
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I have pleasure in presenting to the shareholders the annual report of China Pipe Group Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31st December 2007.

FINANCIAL RESULTS

For the year ended 31st December 2007, the Group recorded a net profit of approximately HK$67,104,000 (2006: HK$59,302,000), representing an increase of 13.16% over 2006. The revenue increased by 2.61% to approximately HK$633,668,000 (2006: HK$617,556,000). The basic earnings per share increased by 12.24% to HK0.55 cents as compared to HK0.49 cents for the year 2006.

DIVIDENDS

The Directors have recommended a final dividend of HK0.08 cents (2006: HK0.08 cents) per ordinary share to be payable to shareholders whose names appear on the Register of Members of the Company on 6th June 2008. Subject to the approval of shareholders at the forthcoming Annual General Meeting, such dividend will be payable on 13th June 2008.

FINANCIAL REVIEW

I am very pleased to announce that 2007 was another record breaking year for the Group in both revenue and net profit. Revenue for the year ended 31st December 2007 was about HK$633,668,000 which was 2.61% more than last year. Profit for the year was approximately HK$67,104,000 representing an increase of 13.16% over the year ended 31st December 2006 (approximately HK$59,302,000).

The growth of the revenue is primarily due to the higher selling price which driven by the jumping metal price. The Group recorded a gross profit of HK$155,762,000 for the year with a gross profit margin of 24.58%, compared with the gross profit of HK$167,382,000 and a gross profit margin of 27.10% for last year. Since the increment of the selling price cannot catch up with the growth of the purchase cost, the gross profit margin thinned.

With the tight budget control by the Group, both selling and distribution costs and administrative expenses decreased slightly. The selling and distribution costs dropped 2.01% to HK$18,968,000 for the year. The administrative expenses dropped 2.48% to HK$75,737,000 for the year.

The Group had recorded a fair value gains on the investment properties amounted to HK$23,202,000 for the year, which was nil in year 2006. This fair value gains has been included in other gains, net in the income statement.

The effect of the thinned profit margin is totally out-weighted by the fair value gains on investment properties and effective cost control. The profit for the year is amounted to HK$67,104,000 which representing an increase of HK$7,802,000 over the year ended 31st December 2006 (approximately HK$59,302,000).

BUSINESS REVIEW

PIPE TRADING BUSINESS

During the year of 2007, the Group has supplied pipes, fittings and/or other related accessories to several large projects namely, KCRC Shatin Ho Tung Lau residential project, YOHO Town Phase 2, One Island East, Kowloon Station Phase 7 – International Commerce Centre, Chinese University Hotel Development, Wai Yip Street Commercial Development, Oil Street Complex Development, Celestial Heights, Hong Kong Skycity Marriott Hotel, Landmark East, Tai Lin Pai Road Commercial Development, LOHAS PARK Phase 1, Residential Development at Wu Kai Sha Station Phase 1,2,3, The City of Dreams Resort Macau, Venetian Parcel 2 (Four Season Hotel) Macau, Kwu Tung Europa Garden Phase 2 and 3, J Residence, Shanghai Hyatt on the Bund, Shanghai LCH Centre, Ningbo Shangri-La Hotel, Nanjing BenQ Hospital, Chengdu Shangri-La Hotel, Xian Shangri-La Hotel, Beijing Star River Apartments, Qingdao Shangri-La Hotel and Qingdao No.9 Dong Hai Road.

As at 31st December 2007, contracts on hand amounted to approximately HK$172 million for the Group. The major projects which the Group will supply pipes, fittings and/or other related accessories include, KCRC Mos Railway – Tai Wai Station Complex Development (Phase One), Venetian Parcel 5 (Shangri-Li Hotel and Trader Hotel) Macau, Venetian Parcel 6 (Sheraton Hotel and St. Regis Hotel) Macau, Redevelopment of Lo Wu Correctional Institution, Leighton Road Hotel Development, Refurbishment of Ocean Park, Redevelopment of Larch Street/Fir Street in Tai Kwok Tsui, Dream City Phase 2 Tseung Kwan O, i-Square, Crocodile Building Redevelopment, Tai Koo Shing City Plaza 2, Hotel development at Sky Tower, Extension of St. Paul Hospital, Customs Headquarters, Tin Shui Wai Lot 24 Area 33 residential development, Rhine Harbour, Refurbishment and alteration of The Atrium, Wang Kwong Road Commercial Development, Shanghai IFC (International Finance Centre), 21st Century Tower Shanghai, Han Tang Jumeirah Hotel Shanghai and Conrad Hotel Shanghai.

We continued to face keen competition from some of our competitors. In response to such competition, we kept on improving our product and service quality and providing quality product and service at reasonable price in order to maintain the confidence of and solidify the business relationship with our customers. We launched market campaigns to strengthen the presence of our Group and products in the market. We actively monitored market trends and our sales team regularly liaised with our customers to ascertain their feedback on our products and their needs in order to improve our products in time to their satisfaction such that we can maintain their confidence and their continual use of our products and services.

INVESTMENT IN PROPERTIES

In 2007, the Group had acquired 15 units of retail shop located in Qiangsheng Gubei Garden, Lane 717 Huangjingcheng Avenue, Shanghai, the People's Republic of China ("PRC").

The surrounding neighbourhood has been developed with an emphasis on creating a green living environment and has attracted an international mix of residents. Reputable institutions and facilities such as 耀中國際學校 (Yiu Chung International School) and 家樂福 (Carrefour) are within an easy reach. Changning District, where the residential development is situated, lies in the west of Shanghai and has been the initial technology centre of Shanghai. Many internationally renowned corporations, such as Dell Inc., have located its operations in Changning District. The district has grown into an important residential and commercial area in Shanghai over the years.

Shanghai is one of the fastest growing financial centres in Asia and taking into account the promising development of Changning District, Shanghai, the Board is optimistic about the prospect of the property market in Shanghai and believes that such rapid economic growth will continue in the future. The Board considers that this acquisition offers the Group an invaluable opportunity to enhance the return of the Group from additional rental income and appreciation of Renminbi ("RMB"). It is more efficiency for the Group to utilise the idle cash.

CHANGE OF COMPANY NAME

In 2007, the Group took proactive steps to enhance its sustainable corporate development. The Board considered to signify the Company's continuous enhancement in its existing trading and distribution of construction materials business in Hong Kong and its future business expansion in the market of the PRC. To better reflect the business operations of the Group, the change of name of the Company from World Trade Bun Kee Ltd. to China Pipe Group Limited (中國管業集團有限公司 as a secondary name) took effect on 8 October 2007.

OUTLOOK

Looking ahead, the continual rise in purchasing costs will remain a major concern for the pipe trading business. In 2008, we will persist in our constant efforts to upgrade our products and services, develop new markets, deepen our contacts and consolidate closer ties with our customers.

In mid of 2008, the Shanghai properties will start to generate rental income, the Board believes that it will increase the income stream of the Group.

To sustain the development of the Group, the Board will continue to focus the core pipe trading business and to strive for seeking different investment opportunities and will diversify into business segments which are expected to show significant growth in the future in both Hong Kong and PRC. The Board will also endeavour to improve the operating efficiencies of the Company.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to extend my sincere thanks and express my appreciation to our business associates, customers and suppliers for their continued support, and to the management and staff for their valuable dedication and devotion to the Group throughout the years.

By Order of the Board
WING Man Yi
Chairman

Hong Kong, 22nd April 2008

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a healthy financial position, with cash and bank balances of HK$33,272,000 as at 31st December 2007 (2006: HK$101,219,000). Basically the Group's working capital requirement has been financed by its internal resources. 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$384,191,000 as at 31st December 2007 (2006: HK$315,125,000) for term loans and other trade finance facilities, approximately HK$320,067,000 (2006: HK$143,931,000) of which were utilised as at 31st December 2007. The banking facilities are secured by corporate guarantees of the Company and investment properties held by subsidiaries with carrying values of HK$42,600,000.

The Group's borrowings are 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, Renmibi, United States dollars, Euro dollars and Australian dollars. Currency forward contracts were arranged for the transactions denominated in currencies other than Hong Kong dollars and United States dollars to mitigate the foreign currency risk. The outstanding forward exchange contract as at 31st December 2007 is amounted to Euro480,000 (2006: Nil).

As at 31st December 2007, the gearing ratio (total debts/total assets of the Group) was 0.34 (2006: 0.24).

BANKING FACILITIES WITH ASSETS PLEDGED

Investment properties with carrying values of HK$42,600,000 at the year end held by subsidiaries of the Group are pledged to bank to obtain banking facilities.

STAFF AND EMPLOYMENT

Including the Directors of the Group, as at 31st December 2007, the Group employed a total of 234 (2006: 163) full-time employees. Total employee benefit expenses was approximately HK$52,940,000 (2006: HK$57,432,000).

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 pays discretionary bonus and provides staff benefits including medical scheme.

The Group is committed to maintain a high standard of corporate governance and enhance its transparency so as to protect the shareholders' interest in general. The Group will continue to raise the standard to formalise the best practise of corporate governance as far as we could.

The Company had adopted the code provisions set out in the Code of Corporate Governance Practices (the "Corporate Governance Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as its own corporate governance practices except with the deviations from Code Provision A.2.1 in respect of separate role of Chairman and chief executive officer.

BOARD OF DIRECTORS

As at the date of this report, the Board is now made up of ten Directors including five Executive Directors, two Non-executive Directors and three Independent Non-executive Directors. Biographical details of the Directors are set out on page 13 of this Annual Report.

The Board has a balance of skills and experience appropriate for the requirements of the business. The Board membership is covered by professionally qualified and widely experienced personnel so as to bring in valuable contributions and different professional advices and consultancy for the development of the Company. All Directors have separate and independent access to the advice and services of the senior management and the company secretary with a view to ensuring the board procedures, and all applicable rules and regulations are followed. The principal functions of the Board are to supervise the management of the business and affairs; to approve the strategic plans, investment and funding decision; to review the Group's financial performance and operative initiatives.

The Company confirmed it had received from each of its Independent Non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules, and it considers them to be independent.

The Board meets regularly and additional meetings are convened when deemed necessary by the Board. Board members are provided with complete, adequate and timely information to allow the Directors to fulfill their duties properly.

The roles of the Chairman and chief executive officer are not separated and are performed by the same individual, Ms. Wing Man Yi. The Board will meet regularly to consider major matters affecting the operations of the Company . The Board considers that this structure will not impair the balance of power and authority between Board and the management of the Company and believes that this structure will enable us to make and implement decisions promptly and efficiently.

All Independent Non-executive Directors of the Company have been appointed for a specific, subject to re-election. According to bye-laws of the Company, all Directors of the Company are subject to retirement by rotation including the Chairman and Chief executive officer.

Directors' attendance at the Board Meeting, Audit Committee Meeting, Remuneration Committee Meeting and Nomination Committee Meeting.

	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting
Ms. Wing Man Yi *(note a)*	3/4	N/A	N/A	N/A
Mr. Chan Wing Yuen, Hubert *(note a)*	3/4	N/A	1/1	N/A
Mr. Lam Cheung Shing, Richard *(note a)*	3/4	N/A	N/A	1/1
Mr. Hu Yishi *(note a)*	3/4	N/A	N/A	N/A
Mr. Zhu Yongjun *(note c)*	3/4	N/A	N/A	N/A
Mr. Zhang Yang *(note c)*	3/4	N/A	N/A	N/A
Mr. Hu Jinxing *(note a)*	3/4	N/A	N/A	N/A
Mr. Lui Tin Nang *(note b)*	3/4	1/2	1/1	N/A
Mr. Ko Ming Tung, Edward *(note b)*	3/4	1/2	1/1	1/1
Mr. Ho Yiu Yue, Louis *(note b)*	3/4	1/2	1/1	1/1
Mr. Tsang Chung Yin *(note d)*	1/4	N/A	N/A	N/A
Mr. Tsang Yin *(note d)*	1/4	N/A	N/A	N/A
Dr. Tsang Ngan Chung *(note d)*	1/4	N/A	N/A	N/A
Mr. Chan Churk Kai *(note d)*	1/4	N/A	N/A	N/A
Ms. Ngai Chui Ling *(note d)*	1/4	N/A	N/A	N/A
Mr. Chan Yuk Ming *(note d)*	1/4	1/2	N/A	N/A
Mr. Wong, Samuel Kwok Hay *(note d)*	1/4	1/2	N/A	N/A
Mr. Chan Yuk Tong *(note e)*	1/4	1/2	N/A	N/A

Notes:

a. Appointed on 11th June 2007
b. Appointed on 3rd July 2007
c. Appointed on 6th July 2007
d. Resigned on 3rd July 2007
e. Appointed on 1st January 2007 and resigned on 3rd July 2007

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies contained in Appendix 10 of the Listing Rule (the "Model Code") as the code of conduct regarding directors' securities transactions.

Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code throughout the year under review.

AUDIT COMMITTEE

As at the date of this report, the Audit Committee consists of three Independent Non-executive Directors, namely Mr. Lui Tin Nang and Mr. Ko Ming Tung, Edward and Mr. Ho Yiu Yue, Louis. Its major duties are to assist the Board in fulfilling its oversight responsibilities as to the Company's financial statements, reporting, internal control, and audit findings. Mr. Lui Tin Nang is the Chairman of the Audit Committee and applies his professional qualifications in accounting and financial management expertise in directing the Audit Committee. The terms of reference of the Committee are aligned with the recommendations set out in "A Guide For Effective Audit Committee" issued by the Hong Kong Institute of Certified Public Accountants and the code provisions set out in the Corporate Governance Code.

The Audit Committee holds regular meetings at least twice a year in connection with the release of the annual and interim results of the Group and at such other times as the Audit Committee may determine.

During the year ended 31st December 2007, the Audit Committee had held meetings to review the annual and interim results.

REMUNERATION COMMITTEE

The Remuneration Committee has been established by the Company in accordance with the requirement of the Code. The Remuneration Committee currently comprises four members, three Independent Non-executive Directors, Mr. Ko Ming Tung, Edward, Mr. Ho Yiu Yue, Louis and Mr. Lui Tin Nang, and one executive director, Mr. Chan Wing Yuen, Hubert.

The Remuneration Committee is responsible for reviewing and recommending the remuneration of the Executive Directors and senior management. The remuneration of the Independent Non-executive Directors are determined by the Board.

NOMINATION COMMITTEE

The members of the Nomination Committee are namely, Mr. Ho Yiu Yue, Louis, Mr. Ko Ming Tung, Edward and Mr. Lam Cheung Shing, Richard.

The primary duty of the Nomination Committee is making recommendations to the Board on appointment and removal of directors and management of Board succession.

The Nomination Committee has considered the past performance, qualification, general market conditions and the Company's articles of association in selecting and recommending directors for retirement rotation.

INTERNAL CONTROL

Management has implemented a system of internal controls to provide reasonable assurance that the Group's assets are safeguarded, proper accounting records are maintained, appropriate legislation and regulations are complied with, reliable financial information are provided for management and publication purpose and investment and business risks affecting the Group are identified and managed.

For the year ended 31st December 2007, the Board has conducted a review of the system of internal control of the Group to ensure the effectiveness of the system.

EXTERNAL AUDITORS AND AUDITORS' REMUNERATION

The Auditors' remuneration (excluding out of pocket and miscellaneous expenses) for audit services is HK$990,000 and HK$500,000 for non-audit services for year 2007.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements. The senior management provides such explanation and information to the Board so as to enable the Board to make an informed assessment of the financial information and position of the Company.

COMMUNICATIONS WITH SHAREHOLDERS

The Board is obliged to provide regular, effective and fair communication with shareholders. Information is conveyed to the shareholders on a timely basis. The Company's Annual Report is sent to all shareholders and/or its nominees and accessible on the Company's website.

Shareholders' views on matters that affect the Company are welcomed by the Board at shareholders' meetings. Shareholders are notified of shareholders' meetings through notices and reports or circulars sent to them. Each item of special business in the notice of the meeting is accompanied, where appropriate, by an explanation for the proposed resolution. The chairman of the Audit and Remuneration Committee are normally available at the meeting to answer those questions in regard to the work of these committees.

The Directors submit their report together with the audited accounts for the year ended 31st December 2007.

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 18 to the financial statements.

An analysis of the Group's revenue and contribution to operating profit for the year is set out in Notes 5, 6 and 7 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 22.

The Directors declared an interim dividend HK0.04 cents (2006: HK0.04 cents) per ordinary share, totalling HK$4,837,000 (2006: HK$4,837,000), which was paid on 18th October 2007.

The Directors recommend the payment of a final dividend of HK0.08 cents per ordinary share, totalling HK$10,026,000.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in Note 28 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in Note 16 to the financial statements.

INVESTMENT PROPERTIES

Details of the properties held for investment purposes are set out in Note 17 to the financial statements.

SHARE CAPITAL

Details of share capital of the Company are set out in Note 27 to the financial statements.

DISTRIBUTABLE RESERVES

At 31st December 2007, reserves of the Company available for distribution, including the contribution surplus, amounted to HK$106,931,000 (2006: HK$98,691,000).

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:

	2003 HK$'000	2004 HK$'000	2005 HK$'000	2006 HK$'000	**2007** **HK$'000**
RESULTS					
Revenue	431,618	445,260	522,921	617,556	**633,668**
Profit before income tax	39,551	60,236	51,113	71,616	**84,583**
Income tax expense	(6,112)	(9,961)	(8,589)	(12,314)	**(17,479)**
Profit for the year	33,439	50,275	42,524	59,302	**67,104**
Attributable to:					
Equity holders of the Company	33,439	50,430	42,524	59,302	**67,104**
Minority interests	–	(155)	–	–	**–**
	33,439	50,275	42,524	59,302	**67,104**
ASSETS AND LIABILITIES					
Total assets	325,302	398,665	425,261	523,353	**817,492**
Total liabilities	(104,226)	(136,441)	(132,606)	(183,489)	**(369,883)**
Total equity	221,076	262,224	292,655	339,864	**447,609**

The results, assets and liabilities of the Group for the five years ended 31st December 2007 have been prepared on the basis set out in Note 2 to the financial statements.

PURCHASE, REDEMPTION OR SALE OF THE COMPANY'S LISTED SECURITIES

During the year ended 31st December 2007, neither the Company nor its subsidiaries had purchased, redeemed or sold any of the Company's listed securities.

DIRECTORS

The Directors during the year and up to the date of this report were:

Executive Directors

Ms. Wing Man Yi *(Chairman) (Note a)*
Mr. Chan Wing Yuen, Hubert *(Note a)*
Mr. Lam Cheung Shing, Richard *(Note a)*
Mr. Hu Yishi *(Note a)*
Mr. Zhu Yongjun *(Note c)*
Mr. Tsang Chung Yin *(Note d)*
Mr. Tsang Yin *(Note d)*
Mr. Chan Churk Kai *(Note d)*
Dr. Tsang Ngan Chung *(Note d)*
Ms. Ngai Chui Ling *(Note d)*

Non-executive Directors

Mr. Zhang Yang *(Honourable Chairman) (Note a)*
Mr. Hu Jinxing *(Note a)*

Independent Non-executive Directors

Mr. Lui Tin Nang *(Note b)*
Mr. Ko Ming Tung, Edward *(Note b)*
Mr. Ho Yiu Yue Louis *(Note b)*
Mr. Chan Yuk Ming *(Note d)*
Mr. Wong, Samuel Kwok Hay *(Note d)*
Mr. Chan Yuk Tong *(Note e)*

Notes:

a. Appointed on 11th June 2007
b. Appointed on 3rd July 2007
c. Appointed on 6th July 2007
d. Resigned on 3rd July 2007
e. Appointed on 1st January 2007 and resigned on 3rd July 2007

In accordance with the bye-law 102(B) of the Bye-Laws, Ms. Wing Man Yi, Mr. Chan Wing Yuen, Hubert, Mr. Lam Cheung Shing, Richard, Mr. Hu Yishi, Mr. Zhu Yongjun, Mr. Hu Jinxing, Mr. Zhang Yang, Mr. Lui Tin Nang, Mr. Ko Ming Tung, Edward and Mr. Ho Yin Yue, Louis shall retire at the AGM. Mr. Hu Yishi and Mr. Hu Jinxing have decided not to stand for re-election. There is no disagreements between Mr. Hu Yishi and Mr. Hu Jinxing and the Board and there is no matter which needs to be brought to the attention of the Shareholders. The other retiring Directors being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

None of the Directors offering themselves for re-election at the forthcoming annual general meeting of the Company has a service contract with the Company or any of its subsidiaries, which is not determinable within one year without payment of compensation (other than statutory compensation).

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

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

Directors

Ms. WING Man Yi, aged 39, was appointed as an Executive Director and Chairman of the Company since June 2007. Ms. Wing was a sales director of Interchina Securities Limited (formerly known as Interchina (Makindo) Securities Limited). She has extensive experience in the securities industry in Hong Kong and the PRC, especially in the B share market where she was one of the pioneering professionals in the PRC. Through her experience in the securities industry, she has established a strong network of contacts of corporate and high networth individuals in the PRC and Hong Kong which serves as a source of business and investment opportunities. Prior to joining Interchina Securities Limited, Ms. Wing held various senior positions at Shenyin Wanguo Securities (H.K.) Limited, ABN AMRO Asia Limited and BNP Paribas Peregrine Securities Limited. Ms. Wing received her bachelor's degree in economics from The Central Institute of Finance and Banking (中央財政金融學院) (now known as Central University of Finance & Economics (中央財經大學)), the PRC. Ms. Wing is the wife of the brother-in-law of Mr. Zhang Yang.

Mr. CHAN Wing Yuen, Hubert, aged 50, was appointed as an Executive Director of the Company in June 2007. Mr. Chan was also appointed as a director of Interchina Holdings Company Limited ("Interchina"), the shares of which are listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange"), since 2002. Mr. Chan received a higher diploma from the Hong Kong Polytechnic University (formerly known as Hong Kong Polytechnic) in 1982. Mr. Chan is an associate of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Company Secretaries. He is also a member of the Hong Kong Securities Institute and the Hong Kong Institute of Directors. Prior to joining Interchina, Mr. Chan spent over ten years with the Stock Exchange where he last served as a director of the Listing Division in charge of the China Listing Affairs Department. He also spent two and a half years since August 1997 as a director and deputy general manager of Guangdong Investment Limited, the shares of which are listed on the Stock Exchange. Mr. Chan was the company secretary and director of Compliance of Sunevision Holdings Limited, the shares of which are listed on the Stock Exchange, from February 2000 to September 2000. In addition, Mr. Chan is an independent non-executive director of Rising Development Holdings Limited, the shares which is listed on the Stock Exchange, since 1999.

Mr. LAM Cheung Shing, Richard, aged 49, was appointed as an Executive Director of the Company since June 2007. Mr. Lam holds a master degree in business administration from The Chinese University of Hong Kong. He was appointed as a director of Interchina and Kai Yuan Holdings Limited (formerly known as Guo Xin Group Limited), all of which are companies whose shares are listed on the Stock Exchange, since 2001. Mr. Lam is a fellow member of both Hong Kong Institute of Certified Public Accountants and Association of Chartered Certified Accountants. Mr. Lam spent over ten years with PriceWaterhouseCoopers, an international accounting firm and promoted to a Senior Audit Manager, and equip with extensive experience in accountancy, taxation and corporate finance. Prior to joining the Company and Interchina, Mr. Lam held senior positions at a number of listed companies in Hong Kong, including Sun Hung Kai & Co., Limited and U-Cyber Technology Holdings Limited. Mr. Lam was also been appointed as an Independent Non-executive Director of Leadership Publishing Group Limited, a listed company on Stock Exchange, during the period from April 2004 to March 2005.

Mr. HU Yishi, aged 32, was appointed as an Executive Director of the Company since June 2007. Mr. Hu was graduated from Shanghai International Tourism Vocational Technology School and is the President of Shanghai Holdeasy Advertising Company Limited and the Director and General Manager of Shanghai ChuangYang Advertising & Broadcasting Co., Ltd. Mr. Hu has extensive experience in China affairs and business. Mr. Hu was appointed as an executive director of Tidetime Sun (Group) Limited (formerly known as Sun Media Group Holdings Limited), a company listed on the main board of the Stock Exchange, during the period from June 2004 to October 2004. He was then appointed as an executive director of Guo Xin Group Limited on April 2007, a company listed on the Stock Exchange. Mr. Hu is the son of Mr. Hu Jinxing.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

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

Directors

Mr. ZHU Yongjun, aged 40, was appointed as an Executive Director of the Company since July 2007. Mr. Zhu will be responsible for exploring investment opportunities in the market of the PRC. Mr. Zhu obtained his master of business administration in Peking University after graduated from Hunan University in 1989. He is the chief representative of Beijing office of Interchina. He has over 15 years of experience in business planning, management and fund raising.

Mr. ZHANG Yang, aged 44, was appointed as an Non-executive Director and Honourable Chairman of the Company in July 2007. Mr. Zhang is responsible for the strategic planning and overall management control of the Group. Mr. Zhang was also appointed as an Executive Director and Chairman of Interchina, which is listed on the Stock Exchange, since 2002. Mr. Zhang studied in Industrial Automation Department of Shanghai Second Staff University. He has over twenty years composite investment experience. Mr. Zhang was also been appointed as a Executive Director and Chairman of Kai Yuan Holdings Limited, a listed company in Hong Kong, during the period from December 2001 to April 2007. Ms. Wing Man Yi is the wife of the brother-in-law of Mr. Zhang.

Mr. HU Jinxing, aged 64, was appointed as an Non-executive Director of the Company since June 2007. Mr. Hu graduated from Shanghai Normal University with a major in Chinese Language & Literature. He spent over seven years with Shanghai Fu Xing High School as vice principal or principal. He was a vice principal of Shanghai Hainen Secondary School from February 1994 to July 1997. He is vice president and general secretary of Shanghai Huajie Affection Foundation. Mr. Hu was a member of the Tenth Shanghai Committee of the Chinese People's Political Consultative Conference of Hong Kou District. Mr. Hu is the father of Mr. Hu Yishi.

Mr. LUI Tin Nang, aged 50, is an Independent Non-executive Director of the Company. Mr. Lui joined the Group in July 2007. He has obtained a bachelor of science degree from the University of Leeds and a master degree in business administration from the University of Bradford in United Kingdom. Mr. Lui is a fellow member of the Hong Kong Institute of Certified Public Accountants, The Taxation Institute of Hong Kong and the Institute of Chartered Accountants in England & Wales, and a member of the Chartered Institute of Management Accountant. He has years of experience in accounting, auditing, taxation and corporate finance. Mr. Lui is an independent non-executive director of Vital BioTech Holdings Ltd., the shares of which are listed on main board of the Stock Exchange and BM Intelligence International Limited, the shares of which are listed on the Growth Enterprise Market of the Stock Exchange.

Mr. KO Ming Tung, Edward, aged 47, is an Independent Non-executive Director of the Company. Mr. Ko joined the Group in July 2007. He obtained an external bachelor of laws degree from the University of London in the United Kingdom. Mr. Ko is the principal of Messrs. Edward Ko & Company and has been practising as a solicitor in Hong Kong for more than 16 years. He was appointed as deputy presiding officer of the Labour Tribunal and is presently a member of the Panel of Adjudicators of the Obscene Articles Tribunal, the Solicitors Disciplinary Tribunal Panel and Employment Law Committee of The Law Society of Hong Kong. He is currently a manager of Chiu Chow Association Secondary School. Mr. Ko was an independent non-executive director of INNOMAXX Biotechnology Group Limited and New Smart Holdings Limited (presently New Smart Energy Group Limited), the shares of which are listed on the main board of the Stock Exchange, and Thiz Technology Group Limited, the shares of which are listed on the Growth Enterprise Market of the Stock Exchange. He currently serves as an independent non-executive director of Sinofert Holdings Limited and Kai Yuan Holdings Limited, the shares of which are listed on the main board of the Stock Exchange.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

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

Directors

Mr. HO Yiu Yue Louis, aged 60, is an Independent Non-executive Director of the Company. Mr. Ho joined the Group in July 2007. Mr. Ho was the managing director of systems and process assurance at PricewaterhouseCoopers in Shanghai, a position which he retired from in August 2006. Mr. Ho has over thirty years of working experience with international accounting firms of Arthur Andersen, Ernst & Young and PricewaterhouseCoopers as a partner focusing on technology risk, system and process assurance and risk consulting practices. During this period, Mr. Ho provided assurance and advisory services to many blue chip companies in Hong Kong and China. Mr. Ho is a member of the Hong Kong Institute of Certified Public Accountants and the Certified Practising Accountants of Australia. He obtained a bachelor of social science degree from the Chinese University of Hong Kong and a master degree in business administration from the Concordia University in Canada.

Senior Management

Mr. TSANG Yin, aged 59, joined the Group in 1986. He is the Vice Chairman of the pipe trading subsidiary. He has over 30 years of experience in the trading of pipes, fittings and other related accessories. He is a licensed plumber of the Water Supplies Department. He is responsible for the customers and suppliers' relationship for the pipe trading.

Mr. CHAN Churk Kai, aged 54, is the Managing Director of the pipe trading subsidiary. With over 30 years of experience in the trading of pipes, fittings and other related accessories, he is responsible for the development and supervision of the sales department. Mr. Chan is the Welfare Supervisor of the Hong Kong Plumbing & Sanitary Ware Trade Association Limited. He is also an associate member of the Institute of Plumbing and Heating Engineering (U.K.), Asian Institute of Intelligent Buildings and the Hong Kong Association of Energy Engineers. He is also a member of Lions Clubs. Mr. Chan joined the Group in 1978.

Ms. CHAN Yuk Fan, Fanny, aged 44, is the sales director of the pipe trading subsidiary. Ms. Chan is responsible for the Group's sales operations including wholesale division, Hong Kong and Macau retail shops, PRC trade and new product development. She is also responsible for training new staff members of the sales and marketing team of the Group. Ms. Chan has over 25 years of experience in the selling of pipes, fittings and other related accessories. She joined the Group in 1982.

Mr. LAI Kui Chung, aged 50, is the warehouse director of the pipe trading subsidiary. Mr. Lai is responsible for the warehouse and transportation activities of the Group. He has over 28 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.

Miss CHAN Yuk Sim, Elsa, aged 41, is a director of the Shanghai pipe trading subsidiary. Miss Chan is responsible for the management and organization of the whole China's business, including sales, company's strategy and plans and daily operations of the Shanghai pipe trading subsidiary. Miss Chan jointed the Group in 1985, has over 22 years of experience in sales, management and training.

Mr. KU Chun Ming, Barry, aged 42, is the associate sales director of the pipe trading subsidiary. Mr. Ku has over 20 years of experience in sales and marketing activities. He is responsible for the sales and promotion activities including the exhibitions and seminars. Mr. Ku joined the Group in 1993.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

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

Senior Management

Miss. LIU Pui Pik, Fanny, aged 37, is the associate sales director of the pipe trading subsidiary. She has over 10 years of experience in the selling of pipes, fittings and other related accessories. She is responsible for the sales coordination including handling clients' inquiries, making quotations and daily correspondence. Ms. Liu holds a Bachelor of Arts Degree from the University of Hong Kong. Miss Liu joined the Group in 1995.

Ms. HUNG Yuk Kam, Daisy, aged 36, is the finance and administration manager and the company secretary of the Company. She is the member of both the Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants. She holds a Bachelor's Degree in Finance from the City University of Hong Kong. She is responsible for the supervision of the finance, accounting and administration department of the Group. Miss Hung joined the Group in 2001.

Mr. LEONG Vai Keong, Terence, aged 37, is the senior sales manager of the pipe trading subsidiary. Mr. Leong has 15 years of experience in sales and promotion activities. He is responsible for the sales and marketing activities including the exhibitions and seminars. Mr. Leong joined the Group in 1994.

Ms. LO Wai Yin, Susan, aged 49, is a shop general manager of the pipe trading subsidiary. Ms. Lo is responsible for the daily operations of the Group's retail shops. She is also responsible for training new staff members or salesmen of the Group. Ms. Lo has approximately 22 years of experience in the selling of pipes, fittings and other related accessories. She joined the Group in 1986.

Mr. CHAN Long Ping, Ryan, aged 46, is the senior sales manager of the pipe trading subsidiary. He has over 10 years of experience in sales and planning. He is responsible for the sales and marketing development. Mr. Chan joined the Group in 1997.

DIRECTORS' INTERESTS IN CONTRACTS

During the year, the Group paid rental expenses to certain related companies. Mr. Tsang Chung Yin, Dr. Tsang Ngan Chung, Mr. Tsang Yin and Mr. Tsang Sik Yin, Eric 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 31 to the financial statements.

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.

CONTINUING CONNECTED TRANSACTIONS

For the year ended 31st December 2007, transactions disclosed in Note 31(a) to the financial statements constitute continuing connected transactions under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

In accordance with Rule 14A.38 of the Listing Rules, the Board engaged the auditors of the Company to perform certain factual finding procedures on the above continuing connected transactions in accordance with Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants. The auditors have reported their factual findings based on the agreed procedures to the Board.

In the opinion of the Independent Non-executive Directors, the continuing connected transactions entered into by the Group during the year ended 31st December 2007 were:

(i) in the ordinary and usual course of business of the Group;

(ii) in accordance with the agreements governing the transactions on terms that are fair and reasonable and in the interests of the Shareholders of the Company as a whole.

Save as disclosed above, there were no other transactions which need to be disclosed as connected transactions in accordance with the requirements of the Listing Rules during the year ended 31st December 2007.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OR DEBENTURES

At 31st December 2007, the interests of the Directors and chief executives in the shares of the Company and its associated corporations disclosed pursuant to Section 352 of the Securities and Futures Ordinance ("SFO") were as follows:

Ordinary shares of HK$0.002 each in the Company

Name	Nature of interests	Number of shares	Approximate percentage of shareholding
Ms. Wing Man Yi	Corporate interests *(Note)*	9,001,500,000 *(L)*	71.82%

(L) denotes the long position held in the shares

Note:

These shares are held by Maxable International Enterprises Limited, which is wholly and beneficially owned by Ms. Wing Man Yi.

Save as disclosed above, none of the Directors and the chief executive of the Company was interested or had any short position in any shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as at 31st December 2007.

SHARE OPTIONS

A summary of the share option scheme of the Company are set out in page 68. There is no outstanding share options for the year ended 31st December 2007 (2006: Nil).

SUBSTANTIAL SHAREHOLDERS

The register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO disclosed the following persons or corporations (other than a director and chief executive of the Company) as having an interest of 5% or more of the issued share capital of the Company:

Long position in share and underlying share of the Company

Name	Name of company in which interests or short positions were held	Nature of interests	Number of shares	Approximate percentage of shareholing
Maxable International Enterprises Limited	The Company	Beneficial owner *(Note 1)*	9,001,500,000 *(L)* *(Note 3)*	71.82%
Tong Wan Ki, Michael	The Company	Interests of spouse *(Note 2)*	9,001,500,000 *(L)* *(Note 3)*	71.82%
Interchina Holdings Company Limited *(Note 3)*	The Company	Beneficial owner	3,700,000,000 *(L)*	29.52%

(L) denotes the long position held in the shares

Notes:

1. These shares are held by Maxable International Enterprises Limited, which is wholly and beneficially owned by Ms. Wing Man Yi, an Executive Director and the Chairman of the Company.

2. These shares are held by Maxable International Enterprises Limited, which is wholly and beneficially owned by Ms. Wing Man Yi, an Executive Director and the Chairman of the Company. Ms. Wing Man Yi is deemed to be interested in such shares under the SFO. Mr. Tong Wan Ki Michael is the spouse of Ms. Wing Man Yi and accordingly is also deemed to be interested in such shares under the SFO.

3. Pursuant to the sale and purchase agreement dated 18th December 2007 entered into between Interchina Holdings Company Limited and Maxable International Enterprises Limited, Interchina Holdings Company Limited has agreed to acquire 3,700,000,000 shares from Maxable International Enterprises Limited. As at the date of this report, completion of such sale and purchase had not yet taken place. However, Interchina Holdings Limited is deemed to be interested in such shares pursuant to the SFO.

Other than disclosed above, the Company has not been notified of any other interests representing 5% or more of the Company's issued share capital as at 31st December 2007.

As at 31st December 2007, the Company had not been notified of any short positions being held by any substantial shareholders in the shares or underlying shares of the Company.

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	17.41%
– five largest suppliers combined	56.60%
Sales	
– the largest customer	4.55%
– five largest customers combined	19.05%

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) has an interest in the major suppliers or customers noted above.

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.

PUBLIC FLOAT

As at the date of this report, the Company has maintained the prescribed public float required under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Directors.

SUBSEQUENT EVENTS

(i) In January 2008, the Group obtained an additional bank borrowing of RMB46,000,000 which was pledged by the Group's the investment properties located in the PRC with the carrying values of HK$200,763,000 as at 31st December 2007.

(ii) On 29th February 2008, the Group had entered into a provisional sale and purchase agreement to purchase an investment property in Hong Kong at a consideration of HK$68,100,000.

AUDITOR

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

On behalf of the Board
WING Man Yi
Chairman

Hong Kong, 22nd April 2008

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong
Telephone (852) 2289 8888
Facsimile (852) 2810 9888

TO THE SHAREHOLDERS OF CHINA PIPE GROUP LIMITED
(formerly known as World Trade Bun Kee Ltd.)
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of China Pipe Group Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 22 to 72, which comprise the consolidated and company balance sheets as at 31st December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PRICEWATERHOUSECOOPERS

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st December 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 22nd April 2008

CONSOLIDATED INCOME STATEMENT

for the year ended 31st December 2007

	Note	2007 HK$'000	2006 HK$'000
Revenue	5	633,668	617,556
Cost of sales	8	(477,906)	(450,174)
Gross profit		155,762	167,382
Other income	6	20	146
Other gains, net	7	27,226	3,333
Selling and distribution costs	8	(18,968)	(19,357)
Administrative expenses	8	(75,737)	(77,667)
Operating profit		88,303	73,837
Finance costs, net	9	(3,720)	(2,221)
Profit before income tax		84,583	71,616
Income tax expense	10	(17,479)	(12,314)
Profit for the year		67,104	59,302
Attributable to:			
Equity holders of the Company		67,104	59,302
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in cent per share)			
– Basic	15	0.55 cents	0.49 cents
– Diluted	15	N/A	N/A
Dividends	12	14,863	14,511

	Note	2007 HK$'000	2006 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	16	12,400	4,111
Investment properties	17	243,363	16,800
Rental deposits and other assets	21	3,257	1,085
Deferred income tax assets	26	–	1,714
		259,020	23,710
Current assets			
Inventories	20	271,984	233,634
Trade and other receivables	21	221,552	161,099
Financial assets at fair value through profit or loss	22	22,938	3,501
Amount due from a related company	31	8,586	–
Tax recoverable		140	190
Cash and cash equivalents	23	33,272	101,219
		558,472	499,643
Total assets		817,492	523,353
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	27	25,065	24,185
Reserves	28	412,518	306,005
Proposed dividend	12	10,026	9,674
Total equity		447,609	339,864
LIABILITIES			
Non-current liabilities			
Borrowings	25	70,000	–
Deferred income tax liabilities	26	5,780	571
		75,780	571
Current liabilities			
Trade and other payables	24	88,275	49,594
Amounts due to related companies	31	–	968
Taxation payable		1,449	6,100
Borrowings	25	204,379	126,256
		294,103	182,918
Total equity and liabilities		817,492	523,353
Net current assets		264,369	316,725
Total assets less current liabilities		523,389	340,435

CHAN Wing Yuen, Hubert
Director

LAM Cheung Shing, Richard
Director

BALANCE SHEET

as at 31st December 2007

	Note	2007 HK$'000	2006 HK$'000
ASSETS			
Non-current assets			
Investments in subsidiaries	18	271,938	86,938
Current assets			
Deposits, prepayments and other receivables	21	10,225	217
Amounts due from subsidiaries	18	30,805	28,132
Financial assets at fair value through profit or loss	22	22,938	–
Tax recoverable		–	190
Cash and cash equivalents	23	1,347	44,699
		65,315	73,238
Total assets		337,253	160,176
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	27	25,065	24,185
Reserves	28	176,323	118,362
Proposed dividend	12	10,026	9,674
Total equity		211,414	152,221
LIABILITIES			
Non-current liabilities			
Amount due to a subsidiary	18	70,000	–
Current liabilities			
Other payables		2,068	7,955
Amounts due to subsidiaries	18	53,182	–
Taxable payable		589	–
		55,839	7,955
Total equity and liabilities		337,253	160,176
Net current assets		9,476	65,283
Total assets less current liabilities		281,414	152,221

CHAN Wing Yuen, Hubert
Director

LAM Cheung Shing, Richard
Director

	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Merger reserve HK$'000	Exchange reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1st January 2006	24,185	29,345	34,115	3,700	–	201,310	292,655
Profit for the year	–	–	–	–	–	59,302	59,302
Dividends paid							
2005 final dividend	–	–	–	–	–	(7,256)	(7,256)
2006 interim dividend	–	–	–	–	–	(4,837)	(4,837)
At 31st December 2006	24,185	29,345	34,115	3,700	–	248,519	339,864
At 1st January 2007	24,185	29,345	34,115	3,700	–	248,519	339,864
Exchange differences arising on translation of financial statements of subsidiaries	–	–	–	–	4,199	–	4,199
Profit for the year	–	–	–	–	–	67,104	67,104
Total recognised income and expense for 2007	–	–	–	–	4,199	67,104	71,303
Issue of new shares, net of expenses (Notes 27 and 28)	880	50,073	–	–	–	–	50,953
Dividends paid							
2006 final dividend	–	–	–	–	–	(9,674)	(9,674)
2007 interim dividend	–	–	–	–	–	(4,837)	(4,837)
	880	50,073	–	–	–	(14,511)	36,442
At 31st December 2007	25,065	79,418	34,115	3,700	4,199	301,112	447,609

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31st December 2007

	Note	2007 HK$'000	2006 HK$'000
Cash flows from operating activities			
Cash (used in)/generated from operations	29	(8,783)	4,893
Interest paid		(5,125)	(4,553)
Interest received		1,405	2,332
Income tax paid		(15,157)	(7,141)
Net cash used in operating activities		(27,660)	(4,469)
Cash flows from investing activities			
Purchase of property, plant and equipment		(10,510)	(1,491)
Proceeds from disposal of property, plant and equipment		170	38
Purchase of investment properties		(199,883)	–
(Increase)/decrease in financial assets at fair value through profit or loss		(15,149)	1,102
Dividends received from financial assets at fair value through profit or loss		20	146
Net cash used in investing activities		(225,352)	(205)
Cash flows from financing activities			
New long-term and other short-term borrowings		206,091	–
Repayment of other short-term borrowings		(62,000)	(1,686)
Increase in trust receipt loans		4,023	55,848
Dividends paid		(14,511)	(12,093)
Proceeds from issue of new shares, net of expenses		50,953	–
Net cash generated from financing activities		184,556	42,069
Net (decrease)/increase in cash, cash equivalents and bank overdrafts		(68,456)	37,395
Exchange differences on cash, cash equivalents and bank overdrafts		500	–
Cash, cash equivalents and bank overdrafts at 1st January		101,219	63,824
Cash, cash equivalents and bank overdrafts at 31st December	23	33,263	101,219

1 GENERAL INFORMATION

China Pipe Group Limited (formerly known as World Trade Bun Kee Ltd.) (the "Company") and its subsidiaries (together the "Group") are principally engaged in trading of construction materials, mainly pipes and fittings.

The Company is a limited liability company incorporated in Bermuda. The address of its registered office is Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda. The Company has its primary listing on The Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange").

Prior to 8th June 2007, the Company was controlled by On Top Industrial Limited ("On Top"), a company incorporated in the British Virgin Islands, which directly owned 50.61% of the Company's shares. On Top is jointly controlled by Jong Yee Limited ("Jong Yee"), Kingsville Inc. ("Kingsville"), Manhattan Properties Limited ("Manhattan Properties") and Click Fort Limited ("Click Fort") and which, prior to 8th June 2007, directly and collectively owned another 23.82% of the Company's shares. The remaining 25.57% of the shares were widely held.

Jong Yee 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, a Director of the Company who resigned on 3rd July 2007 after the completion of the sale of shares in the Company mentioned below.

Kingsville 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, a Director of the Company who resigned on 3rd July 2007 after the completion of the sale of shares in the Company mentioned below.

Manhattan Properties 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, a Director of the Company who resigned on 3rd July 2007 after the completion of the sale of shares in the Company mentioned below.

Click Fort is owned by Mr. Tsang Kwong Sang, Sunny and Mr. Tsang Kwong Fai who are the sons of Mr. Tsang Yin.

On Top, Jong Yee, Kingsville, Manhattan Properties and Click Fort entered into a sale and purchase agreement on 29th April 2007 (the "Agreement") to dispose of all their shares in the Company to an independent third party, Maxable International Enterprises Limited ("Maxable"), a company incorporated in the British Virgin Islands.

The Agreement was completed on 7th June 2007 and Maxable then owned 74.43% equity interest in the Company and became the ultimate holding company. Maxable is wholly owned by Ms. Wing Man Yi who is appointed as a Director of the Company on 11th June 2007.

These consolidated financial statements are presented in thousands of units of Hong Kong dollars (HK$'000), unless otherwise stated. These consolidated financial statements have been approved by the Board of Directors on 22nd April 2008.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss and investment properties, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

The following new standards, amendments to standards and interpretations of HKFRS are effective for the year ended 31st December 2007.

HKAS 1 (Amendment)	Presentation of Financial Statements – Capital Disclosures;
HKFRS 7	Financial Instruments: Disclosures;
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies;
HK(IFRIC)-Int 8	Scope of HKFRS 2;
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives; and
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment.

The adoption of HKFRS 7 and the complementary amendment to HKAS 1 has resulted in new disclosures relating to financial instruments and how the Group manages its capital resources, but has no impact on the results or net assets for the year. HK(IFRIC)-Int 9 and HK(IFRIC)-Int 10 have no effect on the financial statements for the year. HK(IFRIC)-Int 7 and 8 are not relevant to the Group's operations.

The following new standards, amendments to standards and interpretations have been issued but are not effective for 2007 and have not been early adopted:

HKAS 1 (Revised), "Presentation of Financial Statements", effective for annual periods beginning on or after 1st January 2009. It requires all owner changes in equity to be presented in a statement of changes in equity. All comprehensive income is presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). It requires presenting a statement of financial position as at the beginning of the earliest comparative period in a complete set of financial statements when there are retrospective adjustments or reclassification adjustments. However, it does not change the recognition, measurement or disclosure of specific transactions and other events required by other HKFRSs. The Group will apply HKAS 1 (Revised) from 1st January 2009.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (Continued)

HKAS 23 (Revised), "Borrowing Costs", effective for annual periods beginning on or after 1st January 2009. It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Group will apply HKAS 23 (Revised) from 1st January 2009 but management believes that this standard should not have a significant impact to the Group.

HKFRS 2 (Amendments), "Share-based payment - Vesting Conditions and Cancellations", effective for annual periods beginning on or after 1st January 2009. It clarifies the definition of "vesting conditions" and specify the accounting treatment of "cancellations" by the counterparty to a share-based arrangement. The Group will apply HKFRS 2 (Amendments) from 1st January 2009 but is currently no applicable to the Group as there is no share-based transactions.

HKFRS 8, "Operating Segments", effective for annual periods beginning on or after 1st January 2009. HKFRS 8 replaces HKAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, "Disclosures about segments of an enterprise and related information". The new standard requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply HKFRS 8 from 1st January 2009. Management believes that this standard should not have a significant impact to the number of reportable segments, as well as the manner in which the segments are reported as the reportable segment is presented in a manner that is consistent with the internal reporting provided to the chief operating decision-maker.

HKAS 27 (Revised), "Consolidated and Separate Financial Statements", effective for annual periods beginning on or after 1st July 2009. The amendment requires non-controlling interests (i.e. minority interests) to be presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent. Total comprehensive income must be attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity. When control of a subsidiary is lost, the assets and liabilities and related equity components of the former subsidiary are derecognised. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at its fair value at the date when control is lost. The Group will apply HKAS 27 (Revised) from 1st January 2010.

HKFRS 3 (Revised), "Business Combinations", effective for business combinations with acquisition date on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. The amendment may bring more transactions into acquisition accounting as combinations by contract alone and combinations of mutual entities are brought into the scope of the standard and the definition of a business has been amended slightly. It now states that the elements are 'capable of being conducted' rather than 'are conducted and managed'. It requires considerations (including contingent consideration), each identifiable asset and liability to be measured at its acquisition-date fair value, except leases and insurance contracts, reacquired right, indemnification assets as well as some assets and liabilities required to be measured in accordance with other HKFRSs. They are income taxes, employee benefits, share-based payment and non current assets held for sale and discontinued operations. Any non-controlling interest in an acquiree is measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. The Group will apply HKFRS 3 (Revised) from 1st January 2010.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (Continued)

HK(IFRIC)-Int 11, "HKFRS 2 – Group and Treasury Share Transfer", effective for annual periods beginning on or after 1st March 2007. It provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. The Group will apply HK(IFRIC)-Int 11 from 1st January 2008 but is currently not applicable to the Group as there are no share-based transactions.

HK(IFRIC)-Int 12, "Service Concession Arrangements", effective for annual periods beginning on or after 1st January 2008. It applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. HK(IFRIC)-Int 12 is not relevant to the Group's operations because none of the Group's companies provide for public sector services.

HK(IFRIC)-Int 13, "Customer Loyalty Programmes", effective for annual periods beginning on or after 1 July 2008. It clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. HK(IFRIC)-Int 13 is not relevant to the Group's operation as none of the Group's companies operate any loyalty programmes.

HK(IFRIC)-Int 14, "HKAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction", effective for annual periods beginning on or after 1st January 2008. It provides guidance on assessing the limit in HKAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The Group will apply HK(IFRIC)-Int 14 from 1st January 2008, but it is not expected to have any impact on the Group's financial statements.

(b) Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31st December.

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Consolidation (Continued)

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted by the Company on the basis of dividend received and receivable.

(c) Segment reporting

A business segment is a Group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Translation differences on non-monetary items, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation difference on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Foreign currency translation (Continued)

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(e) Property, plant and equipment

Property, plant and equipment, comprising leasehold improvements, plant and machinery, equipment, furniture and fixtures and motor vehicles are stated at historical cost less accumulated deprecation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are expensed in the income statement during the financial period in which they are incurred.

Deprecation of property plant and equipment is calculated using straight-line method to allocate cost at annual rates, as follows:

Leasehold improvements	5 years or the lease period, if shorter
Office furniture, fixtures and fitting	5 years
Computer equipment	5 years
Office equipment	3 years
Machinery and equipment	3 years
Motor vehicles	3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and recognised in other gains, net in the income statement.

(f) Investment properties

Investment property is held for long-term rental yields and is not occupied by the Group. Investment property is carried at fair value, representing open market value determined annually by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset.These valuations are performed in accordance with the guidance issued by the International Valuation Standards Committee. These valuations are reviewed annually by external valuers. Changes in fair values are recorded in the income statement as part of other gains.

Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at its cost, including related transaction costs.

2 SUMMARY OF SIGNIFI CANT ACCOUNTING POLICIES (CONTINUED)

(g) Impairment of investments in subsidiaries and non-financial assets

Assets that have an indefinite useful life or have not yet been available for use are not subject to amortization and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicated that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of impairment of each reporting date.

(h) Lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Receipts or payments made under operating leases (net of any incentives paid to lessees or received from the lessor) are recognised as income or expenses in the income statement on a straight-line basis over the period of the lease.

When assets are leased out under an operating lease, the asset is included in the balance sheet based on the nature of the asset.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss are presented in other gains, net in the income statement in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in other income in the income statement when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group established fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. Impairment testing of trade receivables is described in Note 2(k).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated on the weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(k) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within administrative expenses. When trade and other receivables are uncollectible, they are written off against the allowance account for trade and other receivables. Subsequent recoveries of amounts previously written off are credited against administrative expenses in the income statement.

(l) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(m) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the net proceeds.

(n) Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(o) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(p) Employee benefits

(i) Employee leaves

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Employee benefits (Continued)

(ii) Bonus plans

The expected cost of bonus payments are recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

(iii) Pension obligations

Following the adoption of the Mandatory Provident Fund ("MPF") Scheme in December 2000, all employees of the Group employed in Hong Kong joined the MPF Scheme. Under this scheme, employees and the Group are required to make contributions to the scheme calculated at 5% of the individual employee's monthly basic salaries, subject to a cap of HK$1,000. The Group's contributions to this scheme are expensed when then are due. The assets of the scheme are held separately from those of the Group in independently administered funds.

The Group's employees in the People's Republic of China (the "PRC") are covered by various government sponsored pension plans. These government agencies are responsible for the pension liabilities to these employees. The relevant group companies pay monthly contributions to these pension plans based on certain percentages of the salaries.

Under these plans, the Group has no legal or constructive obligation to make further payments once the required contributions have been paid. Contributions to these plans are expensed as incurred.

(q) Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantially enacted at the balance sheet date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Revenue recognition

Revenue comprises the fair value of the consideration received on receivable for the sales of goods and services, net of value-added tax, rebates, discounts and returns and after eliminating sales within the Group. Revenue is recognised as follows:

(i) *Sales of goods*
Sales of goods are recognised when a group entity has delivered products to the customer, the customer has accepted the products and collectibility of the related receivables is reasonably assured.

(ii) *Gross rental income from investment properties*
Gross rental income from investment properties is recognised on a straight-line basis over the periods of the respective leases.

(iii) *Interest income*
Interest income is recognised on a time- proportion basis using the effective interest method.

(iv) *Dividend income*
Dividend income is recognised when the right to receive payment is established.

(s) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders or Board of Directors.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, cashflow and fair value interest rate risk, credit risk, cash flow interest-rate risk, liquidity risk and price risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) *Foreign exchange risk*
The Group operates principally in Hong Kong and in the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States dollars ("USD"). Foreign exchange risk arises from future commercial transactions. In order to mitigate the foreign currency risk, foreign currency forward contracts are entered into in respect of highly probable foreign currency forecast transaction in accordance with the Group's risk management policies.

At 31st December 2007, if USD had strengthened/weakened by 0.3% against HKD with all other variables held constant, equity would have been HK$92,000 (2006: HK$7,000) lower/higher respectively mainly as a result of foreign exchange losses/gains on translation of USD-denominated trade payable. Equity is more sensitive to movement in USD/HKD in exchange rates in 2007 than 2006 because of the increase in trade payables which were denominated in USD.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Cash flow and fair value interest rate risk

Except for the bank borrowings as at 31st December 2007 and 31st December 2006 of HK$274,370,000 held at effective interest rates ranging from 3.7% per annum to 6.6% per annum and HK$126,256,000 held at effective interest rates ranging from 4.6% to 5.2% per annum, respectively, the Group has no significant interest-bearing assets and liabilities.

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions.

Based on the simulations performed, the impact on profit or loss of a 10 basis-point shift would be a maximum increase/decrease of HK$108,000 (2006: HK$95,000) respectively. The simulation is done on a regular basis to verify that the maximum loss potential is within the limit given by the management.

(c) Credit risk

The credit risk of the Group mainly arises from cash and cash equivalents and trade receivables. The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to financial assets. As at 31st December 2006 and 2007, all the bank deposits are deposited in the high quality financial institutions without significant credit risk.

The table below shows the bank deposit balances of the three major banks as at 31st December 2006 and 2007. Management does not expect any losses from non-performance by these banks. The Group has no policy to limit the amount of credit exposure to any financial institution.

		As at 31st December	
		2007	2006
Counterparty	Rating (i)	HK$'000	HK$'000
Standard Chartered Bank	A1	10,599	69,434
Bank of China	Aa3	9,207	8,157
The Hong Kong and Shanghai Banking Corporation Limited	Aa1	327	381
		20,133	77,972

Note (i): The source of current credit rating is from Moody's.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Credit risk (Continued)

The table below shows the major debtors balance as at 31st December 2006 and 2007.

	As at 31st December	
	2007	2006
Counterparty	HK$'000	HK$'000
Top debtor	17,084	8,664
2nd debtor	16,040	5,558
3rd debtor	12,452	4,858
4th debtor	12,209	4,470
5th debtor	11,095	4,289
6th debtor	7,835	4,048
	76,715	31,887

These debtors have no default in the past.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual trade receivables to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors of the Company consider that the Group's credit risk is significantly reduced. The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

(d) Liquidity risk

The liquidity risk of the Group is controlled by maintaining sufficient banking facilities and cash and cash equivalents, which is generated from the operating cash flow and financing cash flow.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(d) Liquidity risk (Continued)

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000
Group				
At 31st December 2007				
Trade and other payables	88,275	–	–	–
Borrowings	204,379	6,780	20,340	42,880
At 31st December 2006				
Trade and other payables	49,594	–	–	–
Amounts due to related companies	968	–	–	–
Borrowings	126,256	–	–	–
Company				
At 31st December 2007				
Other payables	2,068	–	–	–
Amounts due to subsidiaries	53,182	6,780	20,340	42,880
At 31st December 2006				
Other payables	7,955	–	–	–

(e) Price risk

The Group's held-for-trading investments are measured at fair value at each balance sheet date. Therefore, the Group is exposed to equity security price risk. The management manages this exposure by closely maintain the security price.

At 31st December 2007, if the security prices had increased/decreased by 10%, post-tax profits for the year and equity would have been HK$2,294,000 (2006: HK$350,000) higher/lower, respectively.

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total debt divided by total assets.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital risk management (Continued)

The Group's strategy was to maintain a solid capital base to support the operations and development of its business in the long term. Management considers a gearing ratio of not more than 100% as solid and reasonable. The table below analyses the Group's capital structure at 31st December 2007 and 2006 as follows:

	2007 HK$'000	2006 HK$'000
Total borrowings	274,379	126,256
Total assets	817,492	523,353
Gearing ratio	34%	24%

The increase in borrowings during 2007 resulted primarily from the purchase of investment properties in December 2007.

3.3 Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The carrying value less impairment provision of trade receivables, payables and amounts due from/to related companies are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Estimates of fair value of investment properties

The best evidence of fair value is current prices in an active market for similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

4.1 Critical accounting estimates and assumptions (Continued)

(a) Estimates of fair value of investment properties (Continued)

ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

iii) discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts, and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

If information on current or recent prices of investment properties is not available, the fair values of investment properties are determined using discounted cash flow valuation techniques. The Group uses assumptions that are mainly based on market conditions existing existing at each balance date.

The principal assumptions underlying management's estimation of fair value are those related to: the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and appropriate discount rates. These valuations are regularly compared to actual market yield data, and actual transactions by the Group and those reported by the market.

The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

DTZ Debenham Tie Leung Limited and Lawson David & Sung Surveyors were engaged to carry out independent valuations of the Group's investment properties as at 31st December 2007. These valuations were carried out in accordance with the Valuation Standards on Properties of the Hong Kong Institute of Surveyors which defines market value as "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties each acted knowledgeably, prudently and without compulsion". Management has reviewed the valuations and compared them with their own assumptions, with reference to comparable sales transaction date where such information is available and has concluded that the valuations of the Group's investment properties are reasonable.

(b) Useful lives of property, plant and equipment

The Group depreciates the property, plant and equipment on a straight-line basis over the estimated useful life of 3 to 5 years, and after taking into account of their estimated residual value commencing from the date the asset is placed into productive use. The estimated useful life reflects the Directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

4.1 Critical accounting estimates and assumptions (Continued)

(c) Provision for impairment of trade and other receivables

The policy for provision for impairment of trade and other receivables of the Group is based on the evaluation of collectability and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

(d) Provision for inventories

The management of the Group reviews the marketability of inventory items at each balance sheet date, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for sales. The management estimates the net realisable value for inventories based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review on a product-by-product basis at each balance sheet date and makes provision for obsolete items.

(e) Income taxes

The Group is subject to income taxes in Hong Kong and PRC. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

5 TURNOVER AND SEGMENTAL INFORMATION

(a) Primary reporting format – business segments

The Group is organised into two main business segments:

(i) Trading of a range of pipes and fittings on a wholesale and retail basis; and
(ii) Investment in properties for rental income

The segment results for the year ended 31st December 2007 are as follows:

	Trading of pipes and fittings HK$'000	Investment in properties HK$'000	Others HK$'000	Unallocated HK$'000	Group HK$'000
Total segment revenue	631,908	1,760	–	–	633,668
Segment results	61,465	24,639	(1,062)	3,261	88,303
Finance costs, net (Note 9)					(3,720)
Profit before income tax					84,583
Income tax expense (Note 10)					(17,479)
Profit for the year					67,104

5 TURNOVER AND SEGMENTAL INFORMATION (CONTINUED)

(a) Primary reporting format – business segments (Continued)

The segment results for the year ended 31st December 2006 are as follows:

	Trading of pipes and fittings HK$'000	Investment in properties HK$'000	Others HK$'000	Unallocated HK$'000	Group HK$'000
Total segment revenue	616,463	1,093	–	–	617,556
Segment results	71,963	1,645	–	229	73,837
Finance costs, net (Note 9)					(2,221)
Profit before income tax					71,616
Income tax expense (Note 10)					(12,314)
Profit for the year					59,302

Other segment items included in the income statement are as follows:

	Year ended 31st December 2007			Year ended 31st December 2006		
	Trading of pipes and fittings HK$'000	Investment in properties HK$'000	Group HK$'000	Trading of pipes and fittings HK$'000	Investment in properties HK$'000	Group HK$'000
Depreciation of property, plant and equipment (Note 16)	2,368	74	2,442	2,008	74	2,082
Impairment of trade and other receivables (Note 8)	932	–	932	1,500	–	1,500
Provision for slow-moving inventories (Note 8)	2,203	–	2,203	1,908	–	1,908

During 2006, investment in properties did not qualify as a separate segment. With the significant purchases of investment properties in 2007 (Note 17), investment in properties qualifies as a separate segment, and figures for 2006 have been restated.

Segment assets consist primarily of property, plant and equipment, investment properties, inventories, trade and other receivables and cash and cash equivalents. Unallocated assets comprise deferred tax assets, tax recoverable, financial assets at fair value through profit or loss, amount due from a related company and cash and cash equivalents and other receivables of corporate office.

Segment liabilities comprise operating liabilities and borrowings. They exclude items such as taxation payable, deferred tax liabilities and other payables of corporate office.

Capital expenditure comprises mainly additions to property, plant and equipment, and investment properties as set out in Notes 16 and 17, respectively.

5 TURNOVER AND SEGMENTAL INFORMATION (CONTINUED)

(a) Primary reporting format – business segments (Continued)

The segment assets and liabilities at 31st December 2007 and capital expenditure for the year then ended are as follows:

	Business segment				
	Trading of pipes and fittings HK$'000	Investment in properties HK$'000	Others HK$'000	Unallocated HK$'000	Group HK$'000
Assets	524,209	248,554	10,079	34,650	817,492
Liabilities	(246,436)	(113,780)	(370)	(9,297)	(369,883)
Capital expenditure (Notes 16 and 17)	6,187	203,523	683	–	210,393

Segment assets and liabilities are reconciled to entity assets and liabilities as follows:

	Assets HK$'000	Liabilities HK$'000
Segment assets/liabilities	782,842	(360,586)
Unallocated:		
Deferred income tax	–	(5,780)
Current income tax	140	(1,449)
Cash and cash equivalents	1,347	–
Other receivables	10,225	–
Other payables	–	(2,068)
Financial assets at fair value through profit or loss	22,938	–
Total	817,492	(369,883)

The segment assets and liabilities at 31st December 2006 and capital expenditure for the year then ended are as follows:

	Business segment				
	Trading of pipes and fittings HK$'000	Investment in properties HK$'000	Others HK$'000	Unallocated HK$'000	Group HK$'000
Assets	452,924	20,108	–	50,321	523,353
Liabilities	(168,441)	(422)	–	(14,626)	(183,489)
Capital expenditure (Notes 16 and 17)	1,491	–	–	–	1,491

5 TURNOVER AND SEGMENTAL INFORMATION (CONTINUED)

(a) Primary reporting format – business segments (Continued)

Segment assets and liabilities are reconciled to entity assets and liabilities as follows:

	Assets HK$'000	Liabilities HK$'000
Segment assets/liabilities	473,032	(168,863)
Unallocated:		
Deferred income tax	1,714	(571)
Current income tax	190	(6,100)
Cash and cash equivalents	44,699	–
Other receivables	217	–
Other payables	–	(7,955)
Financial assets at fair value through profit or loss	3,501	–
Total	523,353	(183,489)

(b) Secondary reporting format – geographical segments

The Group primarily operates in Hong Kong and the PRC. The Group's turnover by geographical location is determined by the country in which the customer is located.

	2007 HK$'000	2006 HK$'000
Revenue:		
Hong Kong	614,364	603,331
PRC	12,056	14,225
Others	7,248	–
Total	633,668	617,556

Total assets are allocated based on where the assets are located.

	2007 HK$'000	2006 HK$'000
Total assets:		
Hong Kong	579,631	511,250
PRC	235,220	12,103
Others	2,641	–
Total	817,492	523,353

5 TURNOVER AND SEGMENTAL INFORMATION (CONTINUED)

(b) Secondary reporting format – geographical segments (Continued)

Capital expenditure is allocated based on whether the assets are located.

	2007 HK$'000	2006 HK$'000
Capital expenditure:		
Hong Kong	18,061	1,449
PRC	192,226	42
Others	106	–
Total	210,393	1,491

6 OTHER INCOME

	2007 HK$'000	2006 HK$'000
Dividend income from financial assets at fair value through profit or loss	20	146

7 OTHER GAINS, NET

	2007 HK$'000	2006 HK$'000
Fair value gains on investment properties	23,202	–
Net fair value gain on financial assets at fair value through profit or loss	4,288	1,565
Net exchange (loss)/gains	(434)	2,053
Gain/(loss) on disposal of property, plant and equipment	170	(285)
	27,226	3,333

8 EXPENSES BY NATURE

	2007 HK$'000	2006 HK$'000
Cost of inventories	468,253	441,013
Auditors' remuneration	1,490	590
Depreciation of property, plant and equipment	2,442	2,082
Employee benefit expenses (including Directors' emoluments (Note 13))	52,940	57,432
Operating lease on land and buildings	14,392	13,940
Impairment of trade and other receivables	932	1,500
Provision for slow-moving inventories	2,203	1,908
Other expenses	29,959	28,733
	572,611	547,198
Representing:		
Cost of sales	477,906	450,174
Selling and distribution costs	18,968	19,357
Administrative expenses	75,737	77,667
	572,611	547,198

9 FINANCE COSTS, NET

	2007 HK$'000	2006 HK$'000
Bank interest income	(1,405)	(2,332)
Interest expense on bank borrowings wholly repayable within five years	5,014	4,537
Interest expense on bank borrowings wholly repayable over five years	105	–
Others	6	16
	3,720	2,221

10 INCOME TAX EXPENSE

	2007 HK$'000	2006 HK$'000
Current taxation:		
– Hong Kong profits tax	10,070	12,060
– PRC income tax	493	427
– Over-provision in prior years	(7)	(246)
Deferred taxation (Note 26)	6,923	73
	17,479	12,314

10 INCOME TAX EXPENSE (CONTINUED)

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profit for the year. The rates applicable for income tax in the PRC is 33% (2006: 33%) for the year ended 31st December 2007.

Pursuant to the Corporate Income Tax Law of the People's Republic of China approved by the National People's Congress on 16th March 2007, the new enterprise income tax rates for domestic enterprises and foreign invested enterprises are unified at 25% with effect from 1st January 2008. Regarding the deferred income tax liabilities of a PRC subsidiary which are expected to be settled after 1st January 2008, the Group made an adjustment to their carrying amounts using the applicable tax rate of 25%, resulting in a decrease of deferred income tax liabilities by approximately HK$1,044,000 for the year ended 31st December 2007.

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the Hong Kong profits tax rate as follows:

	2007 HK$'000	2006 HK$'000
Profit before income tax	84,583	71,616
Tax calculated at a taxation rate of 17.5% (2006: 17.5%)	14,802	12,533
Effect of different taxation rates in other countries	1,051	213
Utilisation of previously unrecognised tax losses	(53)	(49)
Unrecognised tax losses	260	–
Tax effect of income not subject to taxation	(301)	(210)
Tax effect of expenses not deductible for taxation purposes	1,727	73
Over-provision in prior years	(7)	(246)
Income tax expense	17,479	12,314

11 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders is dealt with in the financial statements of the Company to the extent of HK$22,751,000 (2006: HK$14,235,000).

12 DIVIDENDS

	2007 HK$'000	2006 HK$'000
Interim, paid, of HK0.04 cents (2006: HK0.04 cents) per ordinary share	4,837	4,837
Final, proposed, of HK0.08 cents (2006: HK0.08 cents) per ordinary share	10,026	9,674
	14,863	14,511

At a meeting held on 22nd April 2008, the Directors recommended a final dividend of HK0.08 cents per ordinary share for the year ended 31st December 2007. This proposed dividend was not recognised as a dividend payable in the financial statements for the year ended 31st December 2007.

13 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2007 HK$'000	2006 HK$'000
Wages and salaries	51,817	56,239
Pension costs – defined contribution plans	1,123	1,193
	52,940	57,432

14 DIRECTORS' EMOLUMENTS

(a) The aggregate amounts of emoluments paid and payable to the Directors of the Company during the year are as follows:

Name	Fees, salaries, and emoluments HK$'000	Other benefits HK$'000	Group's contributions to retirement scheme HK$'000	Bonus HK$'000	2007 Total HK$'000	2006 Total HK$'000
Wing Man Yi (note a)	1,117	–	7	–	1,124	–
Chan Wing Yuen, Hubert (note a)	1,117	60	7	–	1,184	–
Lam Cheung Shing, Richard (note a)	1,117	60	7	–	1,184	–
Hu Yishi (note a)	116	–	–	–	116	–
Zhu Yongjun (note c)	684	–	6	–	690	–
Lui Tin Nang (note b)	100	–	–	–	100	–
Ko Ming Tung, Edward (note b)	100	–	–	–	100	–
Ho Yiu Yue, Louis (note b)	100	–	–	–	100	–
Hu Jinxing (note a)	117	–	–	–	117	–
Zhang Yang (note c)	100	–	–	–	100	–
Tsang Chung Yin (note d)	946	400	7	2,209	3,562	5,460
Tsang Yin (note d)	1,558	120	7	2,209	3,894	6,416
Chan Churk Kai (note d)	1,258	–	7	1,428	2,693	3,034
Tsang Ngan Chung (note d)	892	400	7	2,209	3,508	5,297
Tsang Sik Yin, Eric (note e)	–	–	–	–	–	1,505
Ngai Chui Ling (note d)	252	56	7	408	723	707
Chan Yuk Tong (note f)	60	–	–	–	60	–
Chan Yuk Ming (note d)	60	–	–	–	60	120
Wong, Samuel Kwok Hay (note d)	60	–	–	–	60	120
Wong Wah On, Edward (note g)	–	–	–	–	–	120
Total 2007	9,754	1,096	62	8,463	19,375	
Total 2006	9,297	1,892	66	11,524	–	22,779

Notes:

a. Appointed on 11th June 2007
b. Appointed on 3rd July 2007
c. Appointed on 6th July 2007
d. Resigned on 3rd July 2007
e. Resigned on 30th June 2006
f. Appointed on 1st January 2007 and resigned on 3rd July 2007
g. Resigned on 31st December 2006

14 DIRECTORS' EMOLUMENTS (CONTINUED)

(b) The emoluments of the Directors fell within the following bands:

	2007 HK$'000	2006 HK$'000
Emoluments bands		
Nil to HK$1,000,000	11	4
HK$1,000,001 to HK$1,500,000	3	–
HK$1,500,001 to HK$2,000,000	–	1
HK$2,000,001 to HK$2,500,000	–	–
HK$2,500,001 to HK$3,000,000	1	–
HK$3,000,001 to HK$3,500,000	–	1
HK$3,500,001 to HK$4,000,000	3	–
Over HK$4,000,000	–	3
	18	9

Emoluments paid to Independent Non-executive Directors amounted to HK$480,000 (2006: HK$360,000). Emoluments paid to Non-executive Directors amounted to HK$216,667 (2006: HK$Nil).

(c) The five individuals whose emoluments were the highest in the Group during the year are the Directors of the Company. Details of their emoluments are reflected in the analysis presented in Note (a).

(d) During the year, no Directors waived any emoluments and no emoluments had been paid by the Group to the Directors as an inducement to join or upon joining the Group or as compensation for loss of office.

15 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK$67,104,000 (2006: HK$59,302,000) and the weighted average of 12,185,522,000 shares (2006: 12,092,700,000 shares, as adjusted for the effect of share subdivision (Note 27(i))) in issue during the year.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

Diluted earnings per share is not presented as there were no dilutive potential ordinary shares in years 2007 and 2006.

16 PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold improve-ments HK$'000	Office furniture, fixtures and fittings HK$'000	Office equipment HK$'000	Machinery and equipment HK$'000	Computer equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Year ended 31st December 2006							
Opening net book amount	2,917	–	92	543	127	1,346	5,025
Additions	37	–	55	293	801	305	1,491
Disposal	(323)	–	–	–	–	–	(323)
Depreciation	(821)	–	(29)	(335)	(167)	(730)	(2,082)
Net book amount	1,810	–	118	501	761	921	4,111
At 31st December 2006							
Cost	7,232	516	195	3,313	5,400	6,530	23,186
Accumulated depreciation	(5,422)	(516)	(77)	(2,812)	(4,639)	(5,609)	(19,075)
Net book amount	1,810	–	118	501	761	921	4,111
Year ended 31st December 2007							
Opening net book amount	1,810	–	118	501	761	921	4,111
Translation differences	21	–	13	115	–	72	221
Additions	1,258	491	30	2,786	1,734	4,211	10,510
Depreciation	(874)	(7)	(41)	(435)	(522)	(563)	(2,442)
Net book amount	2,215	484	120	2,967	1,973	4,641	12,400
At 31st December 2007							
Cost	8,511	1,007	239	6,220	7,134	8,292	31,403
Accumulated depreciation	(6,296)	(523)	(119)	(3,253)	(5,161)	(3,651)	(19,003)
Net book amount	2,215	484	120	2,967	1,973	4,641	12,400

Depreciation expense of HK$2,442,000 (2006: HK$2,082,000) has been included in administrative expenses.

17 INVESTMENT PROPERTIES

	Group	
	2007	2006
	HK$'000	HK$'000
At 1st January	16,800	16,800
Translation differences	3,478	–
Additions	199,883	–
Fair value gains (Note 7)	23,202	–
At 31st December	243,363	16,800

The following amounts have been recognised in the income statement:

	2007	2006
	HK$'000	HK$'000
Rental income	1,760	1,093

The investment properties were revalued at 31st December 2007 by DTZ Debenham Tie Leung Limited and Lawson David & Sung Surveyors Limited, independent professional valuers, for properties located in Hong Kong and the PRC respectively. Valuations were based on current prices in an active market for all properties.

At 31st December 2007, investment properties with carrying values of HK$42,600,000 located in Hong Kong have been pledged for banking facilities (Note 25(h)).

For the year ended 31st December 2007, the period of leases whereby the Group leases out its investment property under operating leases is 2 years.

The Group's interests in investment properties at their net book values are analysed as follows:

	2007	2006
	HK$'000	HK$'000
In Hong Kong, held on:		
Leases of between 10 to 50 years	42,600	16,800
In PRC, held on:		
Leases of over 50 years	200,763	–

17 INVESTMENT PROPERTIES (CONTINUED)

The future aggregate minimum lease receivables under non-cancellable operating leases in respect of its investment properties as follows:

	2007 HK$'000	2006 HK$'000
Not later than one year	1,620	760
Later than one year and not later than five years	1,255	–
	2,875	760

18 INVESTMENTS IN SUBSIDIARIES

	Company	
	2007 HK$'000	2006 HK$'000
Unlisted shares, at cost	271,938	86,938

As at 31st December 2007, amount due to a subsidiary of HK$70,000,000 (2006: Nil) is unsecured, interest bearing at 1.25% above Hong Kong Inter Bank Offering Rate per annum and repayable over five years. The remaining balances of amounts due from/(to) subsidiaries are unsecured, interest-free and repayable on demand. The carrying values of amounts due from/(to) subsidiaries approximate their fair values.

Particulars of the subsidiaries at 31st December 2007 are as follows:

Company	Place of incorporation/ establishment and kind of legal entity	Particulars of issued share capital/ registered capital	Percentage of attributable equity	Principal activities and place of operation
Held directly:				
World Trade Bun Kee (BVI) Ltd.	British Virgin Islands, limited liability company	10,000 ordinary shares of US$1 each	100%	Investment holding in Hong Kong
Merchant Capital Limited	Hong Kong, limited liability company	100 ordinary shares of HK$1 each	100%	Investment holding in Hong Kong
Noble Win International Limited	British Virgin Islands, limited liability company	100 ordinary shares of US$1 each	100%	Investment holding in Hong Kong

18 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Company	Place of incorporation/ establishment and kind of legal entity	Particulars of issued share capital/ registered capital	Percentage of attributable equity	Principal activities and place of operation
Held indirectly:				
Bun Kee (International) Limited	Hong Kong, limited liability company	100 ordinary shares of HK$1 each 3,000,000 non-voting deferred shares of HK$1 each	100%	Trading of construction materials, mainly pipes and fittings in Hong Kong
Hamerwind Logistic Company Limited	Hong Kong, limited liability company	800 ordinary shares of HK$100 each	100%	Provision of warehousing and logistic services in Hong Kong
Hing's Godown & Transportation Company Limited	Hong Kong, limited liability company	1,000 ordinary shares of HK$100 each	100%	Provision of warehousing services in Hong Kong
National Link Investment Limited	Hong Kong, limited liability company	600,000 ordinary shares of HK$1 each	100%	Provision of agency services and securities investment in Hong Kong
Patterson Engineering Company Limited	Hong Kong, limited liability company	1,000 ordinary shares of HK$100 each	100%	Trading of construction materials, provision of agency services and property investment in Hong Kong
Huge Vantage International Industrial Limited	Hong Kong, limited liability company	100,000 ordinary shares of HK$1 each	100%	Trading of sanitary products, fluorescent lamps and steel products in Hong Kong

18 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Company	Place of incorporation/ establishment and kind of legal entity	Particulars of issued share capital/ registered capital	Percentage of attributable equity	Principal activities and place of operation
Held indirectly: (Continued)				
Easytech Enterprise Limited	Hong Kong, limited liability company	100 ordinary shares of HK$1 each	100%	Investment holding in Hong Kong
Bun Kee Building Material (Shanghai) Co., Ltd.	PRC, limited liability company	US$200,000	100%	Trading of construction materials, mainly pipes and fittings in PRC
Bun Kee Building Material (Guangzhou) Co., Ltd	PRC, limited liability company	HK$5,850,000	100%	Manufacturing and assembly material in PRC
Bun Kee Building Material and Equipment (Macao) Co., Ltd	Macau, limited liability company	MOP50,000	100%	Trading of construction materials, mainly pipes and fittings in Macau
Shanghai Guohong Trading Co., Ltd	PRC, limited liability company	RMB10,000,000	100%	Trading in the PRC
上海兆雍投資諮詢有限公司	PRC, limited liability company	US$2,600,000	100%	Property investment in the PRC

19 FINANCIAL INSTRUMENTS BY CATEGORY

The accounting policies for financial instruments have been applied to the line item below:

Group

	Loan and receivables HK$'000	Financial assets at fair value through profit or loss HK$'000	Total HK$'000
Assets as per consolidated balance sheet			
31st December 2007			
Financial assets at fair value through profit or loss (Note 22)	–	22,938	22,938
Trade and other receivables	222,579	–	222,579
Amount due from a related company (Note 31)	8,586	–	8,586
Cash and cash equivalents (Note 23)	33,272	–	33,272
Total	264,437	22,938	287,375
31st December 2006			
Financial assets at fair value through profit or loss (Note 22)	–	3,501	3,501
Trade and other receivables	157,715	–	157,715
Cash and cash equivalents (Note 23)	101,219	–	101,219
Total	258,934	3,501	262,435

Group

	Other financial liabilities HK$'000
Liabilities as per consolidated balance sheet	
31st December 2007	
Trade and other payables (Note 24)	88,275
Borrowings (Note 25)	274,379
Total	362,654
31st December 2006	
Trade and other payables (Note 24)	49,594
Amounts due to related companies (Note 31)	968
Borrowings (Note 25)	126,256
Total	176,818

19 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

Company

	Loan and receivables HK$'000	Financial assets at fair value through profit or loss HK$'000	Total HK$'000
Assets as per balance sheet			
31st December 2007			
Financial assets at fair value through profit or loss (Note 22)	–	22,938	22,938
Deposits and other receivables	10,119	–	10,119
Amounts due from subsidiaries (Note 18)	30,805	–	30,805
Cash and cash equivalents (Note 23)	1,347	–	1,347
Total	42,271	22,938	65,209
31st December 2006			
Amounts due from subsidiaries (Note 18)	28,132	–	28,132
Cash and cash equivalents (Note 23)	44,699	–	44,699
Total	72,831	–	72,831

	Other financial liabilities HK$'000
Liabilities as per balance sheet	
31st December 2007	
Other payables	2,068
Amounts due to subsidiaries (Note 18)	123,182
Total	125,250
31st December 2006	
Other payables	7,955

20 INVENTORIES

	Group	
	2007 HK$'000	2006 HK$'000
Merchandises	271,984	233,634

At 31st December 2007, the provision for slow-moving inventories amounted to HK$11,551,000 (2006: HK$9,348,000).

The cost of inventories recognised as expenses and included in cost of sales amounted to HK$468,253,000 (2006: HK$441,013,000).

21 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'000
Trade receivables	193,067	142,480	–	–
Less: provision for impairment of receivables	(2,432)	(2,200)	–	–
Trade receivables, net	190,635	140,280	–	–
Prepayments	2,230	4,469	106	217
Other receivables	28,534	14,127	10,119	–
Rental deposits and other assets	3,410	3,308	–	–
	224,809	162,184	10,225	217
Less: non-current portion	(3,257)	(1,085)	–	–
	221,552	161,099	10,225	217

The carrying amounts of trade receivables, other receivables, other assets and rental deposits approximate their fair values.

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2007 HK$'000	2006 HK$'000
Hong Kong dollars	189,705	139,961
RMB	3,362	2,519
	193,067	142,480

21 TRADE AND OTHER RECEIVABLES (CONTINUED)

During the year, the Group normally granted credit terms of 90 – 120 days. The ageing analysis of the debtors, based on the due date is as follows:

	Group	
	2007 HK$'000	2006 HK$'000
Within credit period	110,563	76,944
0 – 30 days	41,829	27,863
31 – 60 days	17,988	15,796
61 – 90 days	10,272	6,187
91 – 120 days	4,620	7,510
Over 120 days	7,795	8,180
	193,067	142,480

Trade receivables that are current or past due less than four months are not considered impaired. As of 31st December 2007, trade receivables of HK$80,072,000 (2006: HK$63,336,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	Group	
	2007 HK$'000	2006 HK$'000
0 – 30 days	41,829	27,863
31 – 60 days	17,988	15,796
61 – 90 days	10,272	6,187
91 – 120 days	4,620	7,510
Over 120 days	5,363	5,980
	80,072	63,336

As of 31st December 2007, trade receivables of HK$2,432,000 (2006: HK$2,200,000) were impaired. The amount of the provision was HK$2,432,000 as of 31st December 2007 (2006: HK$2,200,000). The individually impaired receivables mainly relate to customers, which are in unexpected difficult economic situations. These receivables is over 120 days past due.

A subsidiary of the Group discounted certain bills of exchange amounting to approximately HK$12,091,000 (2006: Nil) with recourse in exchange for cash as at 31st December 2007. The transactions have been accounted for as short-term loans.

21 TRADE AND OTHER RECEIVABLES (CONTINUED)

Movements on the provision for impairment of trade receivables are as follows:

	2007 HK$'000	2006 HK$'000
At 1st January	2,200	5,707
Provision for receivable impairment	1,047	1,500
Receivables written off during the year as uncollectible	(700)	(5,007)
Unused amounts reversed	(115)	–
At 31st December	2,432	2,200

The creation and release of provision for impaired receivables have been included in administrative expenses in the income statement. Amounts charged to the provision are generally written off when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above. The Group does not hold any collateral as security.

22 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Company	
	2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'000
Market value of equity securities listed in Hong Kong	22,938	3,501	22,938	–

Changes in fair values of financial assets at fair value through profit or loss are recognised in other gains, net in the income statement.

The fair values of all equity securities are based on their current bid prices in an active market.

23 CASH AND CASH EQUIVALENTS

	Group		Company	
	2007	2006	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000
Cash at bank and in hand	33,272	87,745	1,347	44,699
Short-term bank deposits	–	13,474	–	–
	33,272	101,219	1,347	44,699
Maximum exposure to credit risk	33,175	101,126	1,347	44,699

Cash, cash equivalents and bank overdrafts include the following for the purposes of the cash flow statement:

	Group		Company	
	2007	2006	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000
Cash and cash equivalents	33,272	101,219	1,347	44,699
Bank overdrafts (Note 25)	(9)	–	–	–
	33,263	101,219	1,347	44,699

The effective interest rate on short-term bank deposits of the Group was 3.72% (2006: 4.03%). These deposits have an average maturity of 7 days (2006: 21 days).

The carrying amounts of the Group and the Company's cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2007	2006	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000
Hong Kong dollars	26,192	95,940	1,347	44,699
RMB (Note (i))	4,090	–	–	–
United States dollars	1,247	1,299	–	–
Australian dollars	965	846	–	–
Euro dollars	–	3,133	–	–
Other currencies	778	1	–	–
	33,272	101,219	1,347	44,699

Note (i)

The conversion of these RMB denominated balances into foreign currencies and the remittance of these funds out of the PRC is subject to the exchange control restrictions imposed by the PRC government.

24 TRADE AND OTHER PAYABLES

	Group	
	2007	2006
	HK$'000	HK$'000
Trade payables	37,960	7,123
Accrued expenses and other payables	50,315	42,471
	88,275	49,594

Details of the ageing analysis of trade payables is as follows:

	2007	2006
	HK$'000	HK$'000
Current – 30 days	21,600	3,137
31 – 60 days	9,998	2,163
61 – 90 days	5,792	1,602
Over 90 days	570	221
	37,960	7,123

The carrying amounts of the Group's trade and other payables are denominated in the following currencies:

	2007	2006
	HK$'000	HK$'000
Hong Kong dollars	52,074	47,029
United States dollars	30,554	2,189
RMB	3,416	375
Euro dollars	2,013	–
Other currencies	218	1
	88,275	49,594

25 BORROWINGS

	Group	
	2007 HK$'000	2006 HK$'000
Non-current		
Long-term bank loan (Note (a))	70,000	–
Current		
Short-term bank loans (Note (b))	74,091	–
Trust receipt loans (Note (b))	130,279	126,256
Bank overdrafts (Note 23) (Note (b))	9	–
	204,379	126,256
	274,379	126,256
Representing:		
Unsecured	140,600	126,256
Secured (Note (h))	133,779	–
	274,379	126,256

Notes:

(a) The long-term bank loan is secured and carries interest at 1.25% above Hong Kong Inter Bank Offering Rate. The carrying amount and fair value of the long-term bank loan is as follows:

	2007 HK$'000	2006 HK$'000
Long-term bank loan		
Carrying amount	70,000	–
Fair value	71,347	–

The fair values of current borrowings equal their carrying amounts as the impact of discounting is not significant. The fair value of long-term borrowing is estimated based on discounted cash flow approach using the prevailing market rates of interest available to the Group of 4.70% for financial instruments with substantially the same terms and characteristics for the year ended 31st December 2007, depending on the type and currency of borrowing.

(b) The carrying amounts of the short-term bank loans, trust receipt loans and bank overdrafts approximate their fair values. As at 31st December 2007, short-term bank loans of HK$40,000,000 (2006: Nil) and trust receipt loans of HK$23,779,000 (2006: Nil) are secured.

(c) The carrying amounts of bank borrowings are denominated in Hong Kong dollars.

25 BORROWINGS (CONTINUED)

(d) The effective interest rates (per annum) at the balance sheet date are as follows:

	2007	2006
Long-term loan	4.97%	–
Short-term loans	4.45%	–
Trust receipt loans	4.78%	4.78%
Bank overdrafts	10.66%	–

(e) All short-term bank loans, trust receipt loans and bank overdrafts will mature within one year. The maturity of long-term bank loan is as follows:

	2007 HK$'000	2006 HK$'000
Between one and two years	6,780	–
Between two and five years	20,340	–
Wholly repayable within five years	27,120	–
Over five years	42,880	–
	70,000	–

(f) The Group has the following undrawn borrowing facilities:

	2007 HK$'000	2006 HK$'000
Floating rate		
– expiring within one year	64,124	171,194

As at 31st December 2007, the facilities were subject to annual review at various dates.

25 BORROWINGS (CONTINUED)

(g) The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the balance sheet dates are as follows:

	2007 HK$'000	2006 HK$'000
Six months or less	80,880	–
One to five years	20,340	–
Over five years	42,880	–
	144,100	–

(h) The Group had aggregate banking facilities of approximately HK$384,191,000 as at 31st December 2007 (2006: HK$315,125,000) for overdrafts, term loans and other trade finance facilities. Banking facilities utilised as at 31st December 2007 amounted to approximately HK$320,067,000 (2006: HK$143,931,000). The banking facilities were secured by corporate guarantees from the Company and investment properties held by subsidiaries with carrying values of HK$42,600,000.

26 DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the balance sheet:

	2007 HK$'000	2006 HK$'000
Deferred tax assets to be recovered after more than 12 months	–	1,714
Deferred tax liabilities to be settled after more than 12 months	(5,780)	(571)
	(5,780)	1,143

26 DEFERRED INCOME TAX (CONTINUED)

The gross movement on the net deferred income tax assets/(liabilities) account is as follows:

	2007 HK$'000	2006 HK$'000
At beginning of the year	1,143	1,216
Deferred income tax charged to income statement (Note 10)	(6,923)	(73)
At end of the year	(5,780)	1,143

The movement in deferred income tax assets/(liabilities) (prior to offsetting of balances within the same taxation jurisdiction) during the year is as follows:

Deferred tax assets

	Tax deprecation		Provisions		Total	
	2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'000
At 1st January	78	89	1,636	1,302	1,714	1,391
(Charged)/credited to income statement	(78)	(11)	(1,636)	334	(1,714)	323
At 31st December	–	78	–	1,636	–	1,714

Deferred tax liabilities

	Tax deprecation		Revaluation on properties investment		Total	
	2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'000
At 1st January	(220)	(175)	(351)	–	(571)	(175)
Charged to income statement	(170)	(45)	(5,039)	(351)	(5,209)	(396)
At 31st December	(390)	(220)	(5,390)	(351)	(5,780)	(571)

27 SHARE CAPITAL

Authorised, issued and fully paid shares

	No. of ordinary shares	Nominal value of ordinary shares HK$'000
Authorised:		
As at 1st January 2006 and 31st December 2006 of HK$0.1 per share	500,000,000	50,000
Increase in authorised share capital (note (i))	4,500,000,000	450,000
Share subdivision (note (ii))	245,000,000,000	–
As at 31st December 2007 of HK$0.002 per share	250,000,000,000	500,000
Issued and fully paid:		
As at 1st January 2006 and 31st December 2006 of HK$0.1 per share	241,854,000	24,185
Share subdivision (note (ii))	11,850,846,000	–
Issue of new shares (note (iii))	440,000,000	880
As at 31st December 2007 of HK$0.002 per share	12,532,700,000	25,065

Notes:

(i) Pursuant to an ordinary resolution of the Company passed on 29th May 2007, the authorised share capital of the Company increased from HK$50,000,000 divided into 500,000,000 shares to HK$500,000,000 divided into 5,000,000,000 shares by the creation of 4,500,000,000 new shares of HK$0.1 each which will rank pari passu in all respects with the existing shares.

(ii) Pursuant to an ordinary resolution of the Company on 31st August 2007, the par value of the ordinary share of par value of HK$0.1 was subdivided to par value of HK$0.002.

(iii) On 16th October 2007, the Company allotted and issued 440,000,000 new shares of HK$0.002 at the issue price of HK$0.12 per share, for cash. Net proceed from the placing is HK$50,953,000. The proceeds will be used for the Group's trading business in the PRC and strategic investments in pipe-related manufacturing companies.

27 SHARE CAPITAL (CONTINUED)

Share options

The Company has adopted a share option scheme (the "Scheme") under which the Directors of the Company are authorised at their absolute discretion, to invite any Eligible Director as defined in the Scheme, to take up options to subscribe for shares in the Company. The subscription price will be determined by the Board, but shall be at least the highest of (a) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date on which the relevant options are deemed to be granted and accepted in accordance with the terms of the Scheme (the "Commencement Date"), which must be a day on which the Stock Exchange is open for the business of dealing in securities ("Trading Day"); (b) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheet for the five Trading Days immediately preceding the Commencement Date; and (c) 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 as at the date of adoption of the Scheme. The Scheme became effective for a period of ten years commencing 24th June 2004. No option has been granted since the date of adoption of the Scheme.

28 RESERVES

Group

	Share premium HK$'000	Capital reserve (note i) HK$'000	Exchange reserve HK$'000	Merger reserve (note ii) HK$'000	Retained profits HK$'000	Total HK$'000
At 1st January 2006	29,345	34,115	–	3,700	201,310	268,470
Profit attributable to shareholders	–	–	–	–	59,302	59,302
Dividends paid (Note 12)						
2005 final dividend	–	–	–	–	(7,256)	(7,256)
2006 interim dividend	–	–	–	–	(4,837)	(4,837)
At 31st December 2006	29,345	34,115	–	3,700	248,519	315,679
Proposed final dividend (Note 12)	–	–	–	–	(9,674)	(9,674)
	29,345	34,115	–	3,700	238,845	306,005
At 1st January 2007	29,345	34,115	–	3,700	248,519	315,679
Issue of new shares, net of expenses (Note 27)	50,073	–	–	–	–	50,073
Exchange differences arising on translation of financial statements of subsidiaries	–	–	4,199	–	–	4,199
Profit attributable to shareholders	–	–	–	–	67,104	67,104
Dividends paid (Note 12)						
2006 final dividend	–	–	–	–	(9,674)	(9,674)
2007 interim dividend	–	–	–	–	(4,837)	(4,837)
At 31st December 2007	79,418	34,115	4,199	3,700	301,112	422,544
Proposed final dividend (Note 12)	–	–	–	–	(10,026)	(10,026)
	79,418	34,115	4,199	3,700	291,086	412,518

28 RESERVES (CONTINUED)

Company

	Contributed surplus (note iii) HK$'000	Share premium HK$'000	Retained profits HK$'000	Total HK$'000
At 1st January 2006	86,759	29,345	9,790	125,894
Profit attributable to shareholders	–	–	14,235	14,235
Dividends paid (Note 12)				
2005 final dividend	–	–	(7,256)	(7,256)
2006 interim dividend	–	–	(4,837)	(4,837)
At 31st December 2006	86,759	29,345	11,932	128,036
Proposed final dividend (Note 12)	–	–	(9,674)	(9,674)
	86,759	29,345	2,258	118,362
At 1st January 2007	86,759	29,345	11,932	128,036
Issue of new shares, net of expenses (Note 28)	–	50,073	–	50,073
Profit attributable to shareholders	–	–	22,751	22,751
Dividends paid (Note 12)				
2006 final dividend	–	–	(9,674)	(9,674)
2007 interim dividend	–	–	(4,837)	(4,837)
At 31st December 2007	86,759	79,418	20,172	186,349
Proposed final dividend (Note 12)	–	–	(10,026)	(10,026)
	86,759	79,418	10,146	176,323

(i) The capital reserve of the Group arose from acquisition of the remaining interests in a subsidiary in 1999. The balance represents the excess of the fair value attributable to the net assets and liabilities acquired over the consideration paid.

(ii) The merger reserve of the Group arising from the group reorganisation is determined by the difference between the nominal value of shares of the subsidiaries acquired pursuant to the group reorganisation and the nominal value of the Company's shares deemed to have been issued.

(iii) The contributed surplus of the Company represents the difference between the nominal value of the shares issued by the Company in exchange for all the issued ordinary shares of World Trade Bun Kee (BVI) Ltd. and the value of net assets of the underlying subsidiaries acquired by the Company in 2000. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to the shareholders, subject to a solvency test. At the group level, the contributed surplus is reclassified into its component of reserves of the underlying subsidiaries.

(iv) At 31st December 2007, reserves of the Company available for distribution, including the contributed surplus, amounted to HK$106,931,000 (2006: HK$98,691,000).

29 CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of profit before income tax to cash (used in)/generated from operations:

	2007 HK$'000	2006 HK$'000
Profit before income tax	84,583	71,616
Adjustments for:		
– Deprecation of property, plant and equipment	2,442	2,082
– (Gain)/loss on disposal of property, plant and equipment	(170)	285
– Fair value gains on investment properties	(23,202)	–
– Net fair value gain on financial assets at fair value through profit or loss	(4,288)	(1,565)
– Interest income	(1,405)	(2,332)
– Dividend income from financial assets at fair value through profit or loss	(20)	(146)
– Interest expenses	5,125	4,553
Changes in working capital		
– Increase in inventories	(38,350)	(31,076)
– Increase in trade and other receivables	(62,625)	(30,182)
– Increase in amount due from a related company	(8,586)	–
– Increase/(decrease) in trade and other payables	38,681	(9,310)
– (Decrease)/increase in amounts due to related companies	(968)	968
Cash (used in)/generated from operations	(8,783)	4,893

In the cash flow statement, proceeds from disposal of property, plant and equipment comprise:

	2007 HK$'000	2006 HK$'000
Net book amount	–	323
Gain/(loss) on disposal of property, plant and equipment	170	(285)
Proceeds from disposal of property, plant and equipment	170	38

30 OPERATING LEASES

At 31st December 2007, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	2007 HK$'000	2006 HK$'000
Not later than one year	15,114	12,751
Later than one year and not later than five years	16,421	6,234
	31,535	18,985

31 RELATED PARTY TRANSACTIONS

The Group is controlled by Maxable International Enterprises Limited, which owns 71.82% of the Company's shares. The remaining 28.18% of the shares are widely held. The ultimate controlling party of the Group is Ms. Wing Man Yi.

During the year, the Group had the following significant related party transactions, which were carried out in the normal course of Group's business at prices and terms mutually agreed between parties as follows:

(a) Expenses

	2007 HK$'000	2006 HK$'000
Rental expenses paid to related companies	11,747	11,664

The related companies are beneficially owned and controlled by certain former Directors of the Company. Rental expenses were paid to these companies for leasing office premises, retail outlets and warehouses of the Group.

(b) As at 31st December 2007, the Company held equity interests in a related company, which is incorporated and listed on Hong Kong Stock Exchange, amounted to HK$22,938,000 (included in financial assets at fair value through profit or loss). The related company is controlled by certain common Directors of the Company.

31 RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Year ended balances

	2007 HK$'000	2006 HK$'000
Amounts due to related companies (Note (i))	–	968
Amount due from a related company (Note (ii))	8,586	–

Notes:

(i) The related companies are beneficially owned and controlled by certain former Directors of the Company. The balances were unsecured, interest-free and repayable on demand.

(ii) The related company is controlled by certain common Directors of the Company. The balance is unsecured, interest-free and repayable on demand. The carrying value of balance approximately its fair value at 31st December 2007. The balance had been fully settled in February 2008.

(d) Key management compensation

The aggregated amounts of emoluments paid or payable to key management of the Company are as follows:

	2007 HK$'000	2006 HK$'000
Salaries and other short-term employee benefits	29,769	24,433
Pension costs – defined contribution plans	979	410
	30,748	24,843

32 EVENTS AFTER THE BALANCE SHEET DATE

(i) Pledge of investment properties for bank borrowings

In January 2008, the Group obtained an additional bank borrowing of RMB46,000,000 which was pledged by the Group's the investment properties located in the PRC with the carrying values of HK$200,763,000 as at 31st December 2007.

(ii) Purchase of investment properties

On 29th February 2008, the Group had entered into a provisional sale and purchase agreement to purchase an investment property in Hong Kong at a consideration of HK$68,100,000.

33 ULTIMATE HOLDING COMPANY

The Directors regard Maxable International Enterprises Limited, a company incorporated in the British Virgin Islands, as being the ultimate holding company.