



Interim Results

The directors are pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30th September 2000 and the unaudited condensed consolidated balance sheet of the Group as at 30th September 2000 as follows:-

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the six months ended 30th September 2000

		Unaudited	
		Six months ended 30th September 2000	1999
	Note	HK\$'000	HK\$'000
Turnover	2	156,086	133,461
Cost of sales		(90,117)	(83,007)
Gross profit		65,969	50,454
Other revenue		1,990	1,719
Selling and distribution expenses		(26,577)	(17,801)
Administrative expenses		(16,184)	(10,238)
Operating profit	3	25,198	24,134
Finance costs	4	(1,767)	(1,498)
Profit before taxation		23,431	22,636
Taxation	5	(3,916)	(3,792)
Profit attributable to shareholders		19,515	18,844
Dividends	6	6,000	44,483
Basic earnings per share	7	HK10 cents	HK13 cents

CONDENSED CONSOLIDATED BALANCE SHEET
as at 30th September 2000

		Unaudited	Audited
		30th September 2000	31st March 2000
	Note	HK\$'000	HK\$'000
Fixed assets		23,704	22,772
Current assets			
Inventories		38,131	23,021
Trade receivables, other receivables, deposits and prepayments	8	99,304	114,492
Pledged deposits		-	5,615
Cash and bank balances		72,052	3,777
		209,487	146,905
Current liabilities			
Trade payables, accruals and deposits received	9	17,211	11,624
Bills payable		633	5,040
Trust receipt loans		26,204	40,115
Bank loans - current portion		4,460	7,196
Obligations under finance leases - current portion		184	163
Taxation payable		5,621	3,278
Dividend payable		6,000	2,000
		60,313	69,476
Net current assets		149,174	77,489
Total assets less current liabilities		172,878	100,261
Financed by:			
Share capital		20,000	100
Reserves	10	143,843	88,817
Shareholders' funds		163,843	88,917
Non-current liabilities			
Bank loans		8,351	10,933
Obligations under finance leases		273	-
Deferred taxation		411	411
		172,878	100,261

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Our new retail outlet , H₂O_{pro}

Notes to condensed interim accounts

1. Basis of preparation

On 22nd March 2000, pursuant to a group reorganisation to rationalise the structure of the Group in preparation for a listing of the Company's shares on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the Group. The Company issued 60,000,000 shares of HK\$0.10 each at a price of HK\$1.20 to the public in early April 2000 (the "New Issue") and has it shares listed on the Stock Exchange on 12th April 2000.

The unaudited condensed interim accounts ("interim account") include the accounts of the Company and its subsidiaries made up to 30th September 2000. The comparative figures for the six months ended 30th September 1999 have been prepared on the basis of merger accounting as if the Company had been the holding company of the Group throughout the period.

2. Turnover

All of the turnover and operating profit of the Group for the period are contributed by the importing and sale of architectural builders hardware and bathroom collection.

No geographical analysis is provided as less than 10% of the consolidated turnover and less than 10% of the consolidated trading results of the Group are attributable from markets outside Hong Kong during the period.

3. Operating profit

		Unaudited	
		Six months ended 30th September 2000	1999
		HK\$'000	HK\$'000
Operating profit is stated after charging the following			
Depreciation:			
Owned fixed assets		1,133	1,194
Leased fixed assets		221	100

4. Finance costs

		Unaudited	
		Six months ended 30th September 2000	1999
		HK\$'000	HK\$'000
Interest on bank borrowings		1,753	1,473
Interest element of finance leases		14	25
		1,767	1,498

5. Taxation

Hong Kong profits tax has been provided at the rate of 16% (1999: 16%) on the estimated assessable profit for the period.

6. Dividends

		Unaudited	
		Six months ended 30th September 2000	1999
		HK\$'000	HK\$'000
Interim, proposed of HK\$0.03 (1999: Nil) per share		6,000	-
Dividends paid by certain subsidiaries to their then shareholders prior to the group reorganisation as stated in note 1 (note 6(a))		-	44,483
		6,000	44,483

(a) The dividend rates are not presented as such information is not considered meaningful for the purpose of the condensed interim accounts.

7. Earnings per share

The calculation of basic earnings per share are based on the Group's profit attributable to shareholders of HK\$19,515,000 (1999: HK\$18,844,000) and the weighted average number of 197,704,918 shares in issue during the period (1999: 140,000,000 shares deemed to be in issue on 1st April 1999). Diluted earnings per share for the periods was not disclosed as there were no dilutive potential ordinary shares.

8. Trade receivables, other receivables, deposits and prepayments
Included in the balance are trade receivables and their aging analysis is as follows:

	Below 30 days	30-60 days	60-90 days	Over 90 days	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 30/9/2000	23,909	18,144	13,877	29,251	85,181
Balance at 31/3/2000	34,126	21,700	14,644	27,838	98,308

The majority of the Group's sales are with credit terms of 30-90 days. The remaining amounts are on letter of credit or documents against payment.

9. Trade payables, accruals and deposits received

Included in the balance are trade payables and their aging analysis is as follows:

	Below 30 days	30-60 days	60-90 days	Over 90 days	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 30/9/2000	5,728	3,166	1,169	2,855	12,918
Balance at 31/3/2000	3,281	2,572	2,751	222	8,826

10. Reserves

During the period, premium of approximately HK\$41,511,000 arised from New Issue after netting off a capitalisation issue of shares to the ultimate holding company of HK\$13,900,000 and listing expenses of approximately HK\$10,589,000 has been credited to the share premium account.

Interim dividend

The directors have recommended an interim dividend of HK\$0.03 per share to shareholders whose names appear on the Register of Members of the Company on Friday, 29th December 2000. It is expected that the interim dividend will be paid on or about Monday, 8th January 2001.

Closure of register of members

The Register of Members of the Company will be closed from 28th December 2000 to 29th December 2000 (both days inclusive), during which period no transfer of shares can be registered. In order to rank for the interim dividend, shareholders must ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the Company's Share Registrars, Abacus Share Registrars Limited at 2401 Prince's Building, Central, Hong Kong, no later than 4:00 p.m. on Wednesday, 27th December 2000.

Review of operations

For the six months ended 30th September 2000, the Group's unaudited turnover was HK\$156,086,000 and consolidated profit after tax was HK\$19,515,000, representing an increase of 17% and 3.6% respectively as compared with the same period of the previous year.

Earnings per share for the period was HK\$0.1 (1999: HK\$0.13). It has slightly dropped due to the dilution of earnings by the new issue of 60 million shares of the Company to the public in April 2000. The Group's gross profit margin and net profit margin during the period were 42.3% and 12.5% respectively. It marked a slight increase in gross profit margin which was due to the fall of the European currencies against Hong Kong Dollars.

During the period, about 75% of the Group's turnover was generated from the sales to property development projects. Amid Hong Kong's recovering property market, the Group has been awarded supply contract for several large projects, including C.W.I.L. 152 Siu Sai Wan, The Leighton Hill, Tung Chung Station Development Package One and PSPS Hung Hom South Road & Road East. The aggregate contract sum of these projects is over HK\$25 million.

At the same time, the Group's turnover from retail business has increased by approximately 20% as compared with that of same period last year. Pursuant to the Group's policy to develop the retail market, a new retail outlet for bathroom accessories and sanitary ware, H₂O_{pro}, has been set up in Lockhart Road since August this year.

The Group has recently secured two distributorship agreements from Italy for decorative hardware and bathroom accessories and ceramic tiles branded "Colombo" and "Cerdomus" respectively.

During the period, less than 10% of the Group's turnover and trading results are attributable from market outside Hong Kong.

At 30th September 2000, the Group has employed about 130 employees. Remuneration packages are reviewed annually with reference to the prevailing market employment practices and legislation. No share options have been granted during the period.

At 30th September 2000, the Group had capital commitments contracted but not provided for in respect of the purchase of computer software amounting to HK\$2.1 million. The Group had no material litigation or contingent liabilities as at 30th September 2000, except for performance bonds amounting to approximately HK\$3.4 million given to certain customers in respect of commitments for the supply of goods by the Group.

Financial position

The Group has maintained good standing in financial position. Total outstanding bank borrowings of the Group has dropped significantly from HK\$58 million as at 31st March 2000 to HK\$39 million as at 30th September 2000. The decrease is due to lower utilisation of trust receipt loans and repayment of installment loans. At 30th September 2000, gearing ratio was 24.1%, which is calculated on the basis of the Group's total bank borrowings over shareholders' funds. No asset of the Group was held under charge as at 30th September 2000.

As at the end of September 2000, the Group had over HK\$72 million cash on hand and the current ratio had increased from 2.12 to 3.47. As the Group's borrowings and cash balances are primarily denominated in Hong Kong Dollars, the Group has no significant exposure to foreign currency fluctuations. In addition, the Group adopts hedging policies to minimize unfavourable exchange risk.

Future prospect

As referred to the policy address by the Chief Executive of Hong Kong SAR, the Land Sales and Development Programme will provide adequate land to meet long-term housing demand. This programme involves the production of about 730,000 flats in the coming 8 years. The Group will continue its best effort to develop business in project sales, however, the management of the Group has reservation on the development of public housing projects in the coming years, particularly those for Home Ownership Schemes, because of recent change in government policy.

Along with the development of kitchen system, a specialty corner for kitchen system is under decoration and construction in the showroom "H₂O_{pro}" and will be opened shortly. Prestigious brands of kitchen products such as "Franke" and "Schock" will be displayed in this corner. The Group will continue to look for renowned European kitchen supplies sources to strengthen its market capability.

In line with the imminent entry of China to the World Trade Organisation, the Group is planning to expand its Mainland China market by setting up contact points in major cities. Though the turnover from this market was relatively small in the past, the Group believes there will be ample opportunities both in project sales and in the wholesale market. The Group will follow our consistent policy of being cautious and stringent in the selection of projects and customers so that the associated risk is kept to minimum in the course of business expansion in Mainland China.

Information pursuant to Practice Note 19 of the Listing Rules

As at the date of this announcement, as a condition of the general banking facilities granted to the Group by two of its principal bankers, the major beneficial shareholders of Bache Hill Group Limited (being The Tse Brothers Unit Trust and The Tse's Family Trust) are required to maintain not less than 35% of their beneficial shareholding in the Company.

Save as disclosure above, the directors of the Company are not aware of any circumstances which would give rise to any disclosure obligations under Practice Note 19 of the Listing Rules of Stock Exchange as at the date of this announcement.

Purchase, sales or redemption of shares

The Company has not redeemed any of its shares during the period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period.

Compliance with the Code of Best Practice of the Listing Rules

None of the directors of the Company is aware of any information which would indicate that the Group is not, or was not, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of Stock Exchange at any time during the six months ended 30th September 2000.

Audit Committee

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the unaudited interim accounts for the six months ended 30th September 2000.

By Order of the Board
Tse Sun Fat, Henry
Chairman

Hong Kong, 13th December 2000.

