

The directors are pleased to present the interim report and unaudited condensed accounts of the Company and its subsidiaries (the "Group") for the six-months ended 30th September 2000.

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 pm 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.

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 projects 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 for 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.

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.WILL, 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 were attributable from market outside Hong Kong.

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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.



The Leighton Hill

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 instalment loans. At 30th September 2000, gearing ratio was 24.1%, which is calculated on the basis of the Groups 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 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.

Earnings per share

Earnings per share for the period was HK\$0.10 (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.

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Interests in shares of the Company

Director	Number of ordinary shares held				
	Personal Interest	Family Interest	Corporate Interest	Other Interest	Total
Mr TSE Sun Fat, Henry (Note 1)	-	-	-	140,000,000	140,000,000
Mr TSE Sun Po Tony (Note 2)	-	140,000,000	-	-	140,000,000

Note 1: Bache Hill Group Limited ("BHGL") is holding these Shares. BHGL is held as to approximately 60.98 per cent. by Tse Brothers Assets Management Limited which is the trustee of The Tse Brothers Unit Trust (which is in turn held by a discretionary trust, The Tse's Family Trust). Mr TSE Sun Fat, Henry is one of the objects of The Tse's Family Trust. The interest of Mr TSE Sun Po Tony are accordingly regarded as "other interest" as described in Practice Note 5 of the Rules governing the Listing of Securities of the Stock Exchange ("Listing Rules").

Note 2: BHGL is holding these shares. BHGL is held as to approximately 60.98 per cent. by Tse Brothers Assets Management Limited which is the trustee of The Tse Brothers Unit Trust (which is in turn held by a discretionary trust, The Tse's Family Trust). The spouse and other family members of Mr TSE Sun Po Tony are objects of The Tse's Family Trust. The interests of Mr TSE Sun Po Tony are accordingly regarded as "family interest" and "other interest" as described in Practice Note 5 of the Listing Rules.

Interests in shares of associated corporations

(i) BHGL

Director	Number of ordinary shares held				
	Personal Interest	Family Interest	Corporate Interest	Other Interest	Total
Mr TSE Sun Fat, Henry (Note 3)	-	-	30,491	30,491	30,491
Mr TSE Sun Po Tony (Note 4)	-	30,491	-	30,491	30,491
Mr TSE Sun Lung Alan	3,025	-	-	3,025	3,025
Mr LEE Chi Wah, Rhodes	965	-	-	965	965
Mr LEUNG Ka Cheung	1,020	-	-	1,020	1,020

Note 3: These shares are held by Tse Brothers Assets Management Limited which is the trustee of The Tse Brothers Unit Trust (which is in turn held by a discretionary trust, The Tse's Family Trust). Mr TSE Sun Fat, Henry is one of the objects of The Tse's Family Trust. The interests of Mr TSE Sun Fat, Henry are accordingly regarded as "other interest" as described in Practice Note 5 of the Listing Rules.

Note 4: These shares are held by Tse Brothers Assets Management Limited which is the trustee of The Tse Brothers Unit Trust (which is in turn held by a discretionary trust, The Tse's Family Trust). The spouse and other family members of Mr TSE Sun Po Tony are objects of The Tse's Family Trust. The interests of Mr TSE Sun Po Tony are accordingly regarded as "family interest" and "other interest" as described in Practice Note 5 of the Listing Rules.

(ii) Negotiator Consultants Limited

Director	Number of ordinary shares held				
	Personal Interest	Family Interest	Corporate Interest	Other Interest	Total
Mr TSE Sun Fat, Henry (Note 5)	-	-	-	1	1
Mr TSE Sun Po Tony (Note 6)	-	1	-	-	1

Note 5: Such share is held by BHGL. BHGL is held as to approximately 60.98 per cent. by Tse Brothers Assets Management Limited which is the trustee of The Tse Brothers Unit Trust (which is in turn held by a discretionary trust, The Tse's Family Trust). Mr TSE Sun Fat, Henry is one of the objects of The Tse's Family Trust. The interest of Mr TSE Sun Fat, Henry is accordingly regarded as "other interest" as described in Practice Note 5 of the Listing Rules.

Note 6: Such share is held by BHGL. BHGL is held as to approximately 60.98 per cent. by Tse Brothers Assets Management Limited which is the trustee of The Tse Brothers Unit Trust (which is in turn held by a discretionary trust, The Tse's Family Trust). The spouse and other family members of Mr TSE Sun Po Tony are objects of The Tse's Family Trust. The interest of Mr TSE Sun Po Tony is accordingly regarded as "family interest" and "other interest" as described in Practice Note 5 of the Listing Rules.

Directors' benefits from rights to acquire shares or debentures

Under the terms of the Company's share option scheme adopted on 22nd March 2000, the board of directors of the Company may, at their discretion, invite any full-time employees or executive directors of the Company or any of its subsidiaries to subscribe for ordinary shares of HK\$0.10 each in the Company. 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. No options have been granted to the directors up to the date of this report.

At 30th September 2000, the interest of the directors in the shares of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (SDI Ordinance)), as recorded in the register maintained by the Company under Section 29 of the SDI Ordinance or notified to the Company were as follows:

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At no time during the period was the Company or any of its subsidiaries or holding companies a party to any arrangements to enable the directors of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

Substantial shareholders

The register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance shows that as at 30th September 2000, the Company had been notified of the following substantial shareholders' interests, being 10% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the directors and chief executive.

Name of shareholder	Number of shares
BHGL	140,000,000
Tse Brothers Assets Management Limited (Note 7)	140,000,000
HSBC Holdings plc (Note 8)	140,000,000
HSBC Finance (Netherlands) (Note 8)	140,000,000
HSBC Holdings B.V. (Note 8)	140,000,000
HSBC Investment Bank Holdings B.V. (Note 8)	140,000,000
HSBC International Trustee Limited (Note 8)	140,000,000

Note 7: BHGL is held as to approximately 60.98 per cent. by Tse Brothers Assets Management Limited. Tse Brothers Assets Management Limited is accordingly taken to be interested in these shares under Section 8(2) of the SDI Ordinance.

Note 8: BHGL is held as to approximately 60.98 per cent. by Tse Brothers Assets Management Limited, the entire issued share capital of which is in turn held by HSBC International Trustee Limited (which is the trustee of the Tse's Family Trust). HSBC International Trustee Limited is accordingly taken to be interested in these shares under Section 8(2) of the SDI Ordinance. The shares in which HSBC International Trustee Limited is interested formed part of the shares in which HSBC Investment Bank Holdings B.V. is interested formed part of the shares in which HSBC Holdings B.V. is interested, the shares in which HSBC Investment Bank Holdings B.V. is interested, the shares in which HSBC Holdings B.V. is interested, the shares in which HSBC Finance (Netherlands) is interested and the shares in which HSBC Finance (Netherlands) is interested formed part of the shares in which HSBC Holdings plc is interested.

Information pursuant to Practice Note 19 of the Listing Rules

As at the date of this report, as a condition of the general banking facilities granted to the Group by two of its principal bankers, the major beneficial shareholders of BHGL (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 disclosed 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 as at the date of this report.

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 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.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2000

Note	Unaudited	
	Six months ended 30th September 2000	1999
	HK\$'000	HK\$'000
Turnover	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	25,198	24,134
Finance costs	(1,767)	(1,498)
Profit before taxation	23,431	22,636
Taxation	(3,916)	(3,792)
Profit attributable to shareholders	19,515	18,844
Dividends	7,000	44,483
Basic earnings per share	HK10 cents	HK13 cents

The profit attributable to shareholders is the only component of the statement of recognised gains and losses for the periods and accordingly no separate statement has been prepared.

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30TH SEPTEMBER 2000

Note	Unaudited		Audited	
	30th September 2000	HK\$'000	31st March 2000	HK\$'000
Fixed assets	23,704	22,772		
Current assets				
Inventories	38,131	23,021		
Trade receivables, deposits and prepayments	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	10	17,211	11,624	
Bills payable		633	5,040	
Trust receipt loans		26,204	40,115	
Current portion of non-current liabilities	11	4,644	7,359	
Taxation payable		5,621	3,278	
Dividend payable		6,000	2,000	
		60,313	69,416	
Net current assets		149,174	77,489	
Total assets less current liabilities		172,878	100,261	
Financed by:				
Share capital	12	20,000	100	
Reserves	13	143,843	88,817	
Shareholders' funds		163,843	88,917	
Non-current liabilities	11	9,035	11,344	
		172,878	100,261	

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2000

Note	Unaudited	
	Six months ended 30th September 2000	1999
	HK\$'000	HK\$'000
Net cash inflow from operating activities	25,921	27,854
Net cash outflow from returns on investments and servicing of finance	(1,777)	(1,201)
Total taxation paid	(1,573)	(996)
Net cash inflow/(outflow) from investing activities	3,577	(2,515)
Net cash inflow/(outflow) from financing	42,127	(9,849)
Increase in cash and cash equivalents	68,275	13,793
Cash and cash equivalents at 1st April	3,777	4,070
Cash and cash equivalents at 30th September	72,052	17,363
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	72,052	23,973
Less: Pledged fixed deposits	-	(6,610)
	72,052	17,363

The profit attributable to shareholders is the only component of the statement of recognised gains and losses for the periods and accordingly no separate statement has been prepared.

NOTES TO THE 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 and has its shares listed on the Stock Exchange on 12th April 2000.

The unaudited condensed interim accounts ("interim accounts") 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.

All significant inter-company transactions and balances within the Group have been eliminated. The difference between the nominal value of the shares of subsidiaries acquired and the nominal value of the shares issued by the Company as consideration thereof is regarded as merger reserve included in the shareholders' equity of the Group.

2. Accounting policies

These interim accounts are prepared in accordance with Hong Kong Statement of Standard Accounting Practice No.25, "Interim Financial Reporting", issued by the Hong Kong Society of Accountants, and Appendix 16 of the Listing Rules of the Stock Exchange.

The accounting policies and methods of computation used in the preparation of these interim accounts are consistent with those used in the annual accounts for the year ended 31st March 2000.

3. Turnover

The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in the importing and sale of architectural builders hardware and bathroom collection in Hong Kong.

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.

4. Operating profit

Six months ended 30th September	Unaudited	
	2000	1999
	HK\$'000	HK\$'000
Operating profit is stated after charging/(crediting) the following:		
Cost of inventories	90,117	83,007
Depreciation:		
Owned fixed assets	1,133	1,194
Leased fixed assets	221	100
Net exchange gain	(960)	(753)
Payments under operating leases for leasehold land and buildings	4,614	2,542
Provision for doubtful debts	-	707
Provision for slow-moving inventories/(write-back of provision), included in cost of inventories	1,322	(1,108)
Retirement benefit costs	1,004	841
Staff costs	23,435	14,380

5. Finance costs

Six months ended 30th September	Unaudited	
	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

6. Taxation

- (a) Hong Kong profits tax has been provided at the rate of 16% (