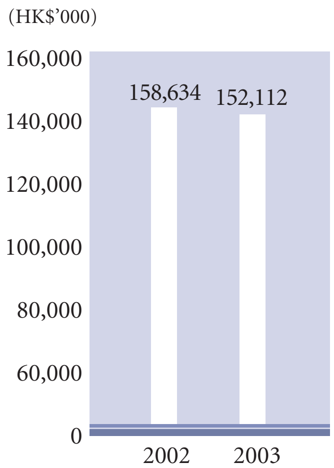
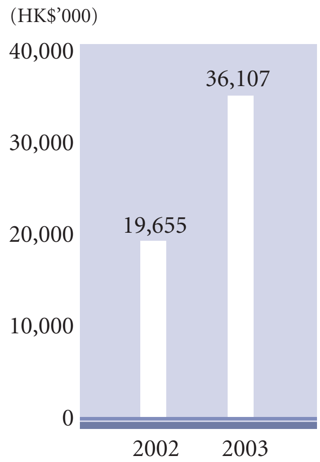
CHIEF EXECUTIVE OFFICER'S REPORT

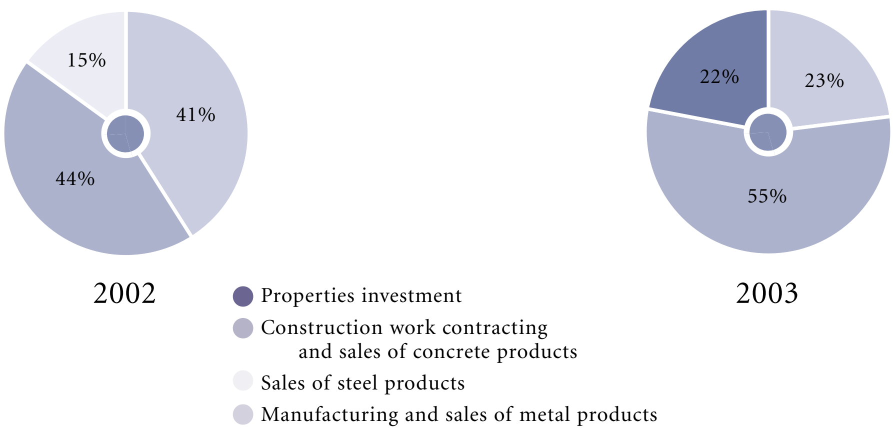
TURNOVER FOR THE YEARS ENDED 31ST DECEMBER, 2002 AND 2003



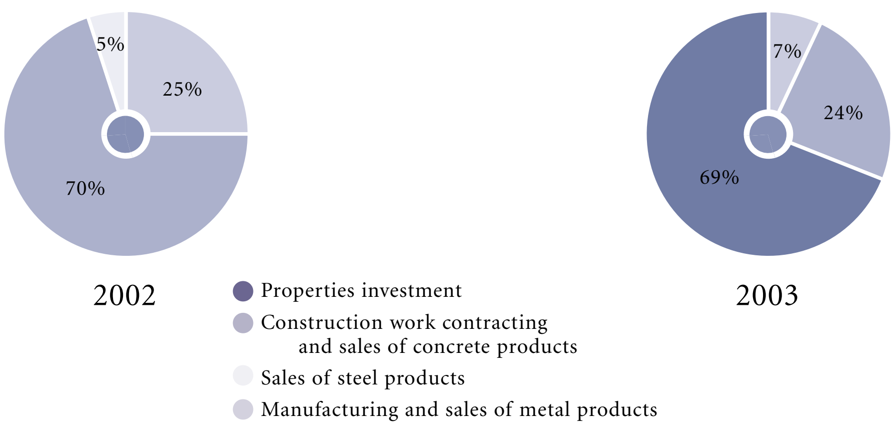
PROFIT FROM OPERATIONS FOR THE YEARS ENDED 31ST DECEMBER, 2002 AND 2003



TURNOVER BY BUSINESS IN 2002 AND 2003



SEGMENT RESULT BY BUSINESS IN 2002 AND 2003



MANAGEMENT'S DISCUSSION AND ANALYSIS

2003 is a year presented with substantial difficulties and challenges. Our core business continues to face these barriers because of the SARS outbreak, structural changes in the property market, intense competition and reduced profit margins.

Under the leadership of our experienced management team and highly skilled work force coupled with our versatile strategic move, the Group recorded the following results:

1. **FINANCIAL PERFORMANCE**

   During the year, the Group achieved a turnover of HK$152 million, representing a slight decline of 4% from the previous year. The performance is primarily abated by the steel & metal product business, which operation has disposed in July 2003. Profit attributable to shareholders was HK$21 million, with earnings per share at HK0.6944 cents, both registering 28% increase from the preceding year.

   The Group has a market capitalisaton of around HK$306 million and remains a significant innovative building materials company.

   Despite being a slow growth year in profitability, the Group has increased its cash generation capability through investing in cold storage business, which forms a steady source of rental income.

2. **OPERATION PERFORMANCE**

Autoclaved Aerated Lightweight Concrete ("ALC") Products

As the Group's core competence, ALC constitutes 50% of the Group's overall turnover. Amid intense competition from Mainland China and decline in the volume of construction projects in Hong Kong, the Group accomplished a surge in the turnover of ALC by 21% as compared to 2002. This is attributable to the growth in private projects. The profit margin, however, has eroded by 25% as explained by ferocious rivalry causing cut back in prices.

Cold Storage

In March 2003, the Group acquired two cold storage warehouses in Kwai Chung with a total area of approximately 674,000 square feet at a cost of HK$75 million. The investment generated a turnover of approximately HK$33.5 million, contributing to a net profit margin of 65% during the year under review.

Steel & metal products

After the acquisition by Top Synergy, the Group's former major shareholder, Golik Holdings Ltd. ("Golik"), has taken over this part of the business. Prior to the disposal to Golik, there was a 22% decrease in total turnover of the steel and metal business on the ground of fierce price war.

3. **LIQUIDITY & FINANCIAL RESOURCES**

The Group's capital expenditure and investments were funded from cash on hand, internal cash generation and bank loans.

As at 31st December, 2003, total borrowings of the Group amounted to HK$370 million, which included bank borrowings of HK$255 million and third party loans of HK$115 million. Of the total borrowings, 40% are repayable within one year and 60% repayable after one year. The Group's financing activities continue to be well received and fully supported by its bankers.

The Group has an increased gearing ratio at 110%, which is calculated as long term debts over shareholders' equity. This was largely due to further borrowings to finance for the cold storage investment. With the support of our bankers, the Group envisages no difficulty to meet its financial obligations as and when they fall due for the foreseeable future.

The Group's monetary assets are principally denominated in Hong Kong dollars and United States dollars. The group believes that its exposure to exchange rate risk is not material due to the currency peg of Hong Kong dollars and United State dollars.

4. **EMPLOYMENT AND REMUNERATION POLICY**

As at the end of 2003, the total number of employees of the Group was 130. (2002: 175). The Group provides an incentive package for employees including Provident Fund Scheme and various awards to encourage performance.

The Group recognises that our employees' safety and health is paramount to ensure high morale and productivity and a good corporate image. During the year, we have introduced a series of occupational safety training programmes and safety awards schemes to enhance employees' awareness on Occupational Health and Safety.

PROSPECT

The business environment for the Group remains challenging in 2003. The Group, however, is well-positioned to meet the barriers as demonstrated by our solid asset base, cash generation capability and operating profit.

Against the difficulties, we have been restless to seize every opportunity.

Heightened demands in the Mainland China property market and recovery of the Hong Kong economy have gathered our strength to expand our product line. We will pursue a dual strategy of marketing new building material from external suppliers and building up our product range through mergers and acquisition going forward.

Positive rebound of the Hong Kong property market will give us ground to penetrate the private sector and forge ahead with increasing sales of building material in the local market.

Effort to diversify into the cold storage demonstrates our versatility to respond to the soaring importance of Hong Kong as a logistic heart of the Pearl River Delta Region. We will continue to make further move into this new business line through mergers and acquisition.

In light of these strategy we believe the Group will deliver optimal performance and create high returns for its shareholders in the years ahead.

By Order of the Board
Daniel Fung
Chief Executive Officer

16th April, 2004