

BUSINESS REVIEW AND PROSPECTS

For the first half of the 2004, the performance of the Group is satisfactory. For the period ended 30th June 2004, the turnover of the Group amounted to approximately HK\$210,259,000 which represent a slightly decrease of 0.2% when compared with the same period last year. The price of raw material such as copper, iron and uPvc had jumped over 30% during the first half year of 2004. The Group had faced pressure in the climbing of the purchase cost. Benefit from the solid stock base reserved in the previous year which diluting the cost of sales, the gross profit margin widen slightly when compared to the same period last year. However, this strength cannot be sustained further as the increasing purchase cost will be retained in the near future. In January 2004, the Group had received an interim insurance compensation from the insurance company amounted to HK\$5,667,000 and charged as other income. Moreover, the Group had disposed the investment property in Tsim Sha Tsui and recorded a gain of disposal amounted to HK\$4,110,000. The Group had achieved an increase of 99.69% in profit attributable to shareholders to HK\$31,681,000 for the period ended 30th June 2004. The significant increase in the profit attributable to the shareholders for the period was due to the widen profit margin and inclusion of the gain on the disposal of investment property and interim insurance compensation income.

In the first half year of 2004, the Group has supplied pipes, fittings and/or other related accessories to several large projects namely, Grand Promenade, AIG Tower, Chelsea Court, AsiaWorld-Expo (Phase I) in Hong Kong International Airport, The Cairnhill, Residence Oasis, Cyberport Residence Bel-Air Phase 2, 3 and 4, Pok Oi Hospital Redevelopment & Expansion, Coastal Skyline, Central Reclamation Phase III – Hinterland drainage improvement works (HK16/03), Immigration Services Training School and Preowne Immigration Centre, KCRC Lok Ma Chau Spur Line and Las Vegas Sands, Macau.

As at 30th June 2004, contracts on hand amounted to approximately HK\$100 million for the Group. The major projects which the Group will supply pipes, fittings and/or other related accessories include, Tomorrow Land Disneyland, Fantasy Land Disneyland, Tung Chung City Gate Hotel, Hung Hom KIL 11110 Hotel development, Hung Hom KIL11103 Hotel development, Caribbean Coast Phase 4, 5 & 6, Lamma Island - Power Station Extension Unit 9, Marine Police North Division Base, China Gas South Factory redevelopment (residential project), Redevelopment of Tiger Balm Gardens and Lai Chi Kok Bus Depot Redevelopment.

The Group continues to adhere to the strategy of maintaining balance exposure both in terms of new products and new business. By doing so, the Board believes it will help the Group to build a larger scale of economy. In order to let the Company to be able to maintain the profitability of its business in the market, the Board is actively recombining the human resources and investment line and stabilizing the business so as to reach the goal of efficiency and effectiveness.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30th June 2004, the cash and bank balance of the Group was HK\$70,751,000 (31st December 2003: HK\$51,332,000). Basically the Group's working capital requirement has been financed by its internal resources and banking facilities. 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\$234,125,000 as at 30th June 2004 (31st December 2003: HK\$225,125,000) for term loans and other trade finance facilities. Banking facilities utilised as at 30th June 2004 amounted to approximately HK\$76,197,000 (31st December 2003: HK\$74,566,000).

The Group's borrowings are mainly 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, US Dollars and Australian Dollars. Currency forward contracts were arranged for the transactions denominated in other currencies for hedging purposes. No forward exchange contracts was outstanding as at 30th June 2004 (31st December 2003: HK\$8,745,000).

During the period under review, there was no significant deviation from the policies above.

Over 90% of the Group's cash is either denominated in Hong Kong Dollars or US Dollars. The exposure to exchange fluctuation is minimal.

As at 30th June 2004, the gearing ratio (total debts/total assets of the Group) was 0.16 (31st December 2003: 0.16).