BUSINESS REVIEW AND PROSPECTS

The Group's turnover was HK$254,672,000 for the first six months of 2005, an increase of 21.12% from HK$210,259,000 for the corresponding period last year. This significant growth is primarily due to the higher selling price which driven by the jumping purchase cost. The Group recorded a gross profit of HK$65,135,000 for the period with a gross profit margin of 25.58%, compared with the gross profit of HK$63,466,000 and a gross profit margin of 30.18% for the corresponding period last year. Since the increment of the selling price cannot catch up with the growth of the purchase cost, the gross profit margin thinned. The selling and distribution cost were HK$5,766,000 for the first six months of 2005, an increase of 36.38% from HK$4,228,000 for the same period last year. The increase was mainly due to the increase in logistic costs and marketing commission as associated with the increase in turnover of 21.12% from the same period last year. With the tight budget control by the Group, the administrative expenses decreased slightly from HK$32,700,000 for the corresponding period last year to HK$31,807,000 during the current period. In January 2004, the Group had received an interim insurance claim from the insurance company amounted to HK$5,667,000 and disposed the investment property in Tsim Sha Tsui with a gain of HK$4,110,000. The compensation and gain on disposal had charged as other income in the first half of 2004. Without these other income for the period under review, the other income dropped from HK$11,418,000 for the same period last year to HK$4,751,000 for first half of 2005. The finance cost for the period under review is amounted to HK$782,000 which is twice of the finance cost for the corresponding period last year amounted to HK$318,000. The increment is in line with the series of interest rate increment during the period under review. For the period ended 30th June 2005, the profit attributable to shareholders for the Group amounted to approximately HK$26,341,000 as compared to HK$31,681,000 for the first half of 2004, representing a decrease of 16.86%. The significant decrease in profit attributable to shareholders was mainly due to inclusion of interim insurance compensation and gain on the disposal of investment properties in last period's result.

In the first half of year of 2005, the Group has supplied pipes, fittings and/or other related accessories to several large projects namely, Wynn Macau Casino, The Grandville, Noble Hill, Rock Hill Street Joint User Building (SS L311), Nina Tower, Tseung Kwan O Extension Property Development: Package Two of Tiu Keng Leng Station, Tseung Kwan O Area 55B Residential and Commercial Development, Route 8- Nam Wan Tunnel and West Tsing Yi Viaduct (HY/2001/16), Tsuen Wan Town Center Redevelopment, Yeung Uk Road Redevelopment, The Hong Kong Polytechnic University: Hong Kong Community College, Manhattan Hill, Star River Guangzhou and Beijing Ritz-Carlton Hotel- Services Apartment.

As at 30th June 2005, 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, Hong Kong Science Park Phase 2, Kowloon Station 102 Mega Tower, Enterprise Square 5, Macau Galaxy StarWorld Hotel, Macau Venetian Resort-Hotel-Casino development, Tiu Keng Leng Metro Town, Cyberport Residential R4, Asia Airfreight Terminal and Xin Mao Tower Shanghai.

Apart from focusing on the existing businesses, the Group starts to supply sanitary product and energy saving environmental T5 tube in order to widen the product base. To sustain the development of the Group, the Board will continue to strive for seeking different investment opportunities and will diversify into business segments which are expected to show significant growth in the future. The Board will also endeavour to improve the operating efficiencies of the Company.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30th June 2005, the cash and bank balance of the Group was HK$43,921,000 (31st December 2004: HK$66,538,000). 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$249,125,000 as at 30th June 2005 (31st December 2004: HK$239,125,000) for term loans and other trade finance facilities. Banking facilities utilised as at 30th June 2005 amounted to approximately HK$81,227,000 (31st December 2004: HK$84,801,000). The banking facilities were secured by corporate guarantees from the Company, and investment properties with a carrying value of approximately HK$16,800,000.

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. Forward exchange contracts amounting to HK$7,766,000 were outstanding as at 30th June 2005 (31st December 2004: Nil).

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 2005, the gearing ratio (total debts/total assets of the Group) was 0.18 (31st December 2004: 0.17).