

REVIEW OF OPERATIONS

In 2003 the Group achieved a turnover of HK\$373.4 million and gross profit of HK\$67.0 million (2002: HK\$478.2 million and HK\$60.6 million respectively). The decline in turnover was mainly attributable to our decision to scale down the contracting operations which accounted for less than 5.7% (2002: 14.3%) of the Group's turnover in 2003. Turnover of engineering equipment business also decreased because of the absence of large infrastructure projects in 2003. The Group's outstanding orders on hand at the period end amounted to HK\$251 million, representing a decrease of 12.8% over the end of last year (At December 2002: HK\$288 million). This was mainly caused by the downsized contracting operations. On the positive side, gross profit margin improved from 12.7% to 18.0% because of the higher contribution from our expanded product range in construction chemicals, growth in marble export and limited write-backs of cost provisions of HK\$3.5 million (2002: cost provisions of HK\$14.7 million). If the effect of the cost provisions was excluded for both years, gross profit margin improved from 15.7% to 17.1%. The Group's effort in cost control and cash flow management also resulted in a reduction of 14.0% in operating costs (excluding the effect of receivable provision of HK\$14.3 million in 2002). Accordingly, the Group reported a modest profit attributable to shareholders of HK\$1.2 million (2002: loss of HK\$42.4 million, as restated) after taking into account the negative impact of HK\$1.5 million related to further revaluation of the Group's property.

業務回顧

於二零零三年，本集團錄得營業額及總溢利分別為約港幣373,400,000元及約港幣67,000,000元（二零零二年：分別為約港幣478,200,000元及約港幣60,600,000元）。營業額之下跌主要是由於本集團決定縮減承建業務之規模所致，該業務於二零零三年佔本集團的營業額少於5.7%（二零零二年：14.3%）。由於二零零三年並無大型基建工程，故工程設備業務營業額亦見減少。本集團於年終未完成之手頭訂單金額為約港幣251,000,000元，較去年年結時減少12.8%（二零零二年十二月：約港幣288,000,000元），這主要是由於縮減承建業務規模所致。值得欣喜的是，本集團建築化學用料產品種類擴闊後所獲得的較高回報、雲石出口業務的增加以及有限之成本撥備撥回款額約港幣3,500,000元（二零零二年：成本撥備約港幣14,700,000元）均使邊際毛利由12.7%改善至18.0%。倘兩個年度均不計入成本撥備影響，邊際毛利則由15.7%增加至17.1%。本集團致力控制成本及流動現金管理，經營成本亦因而減低14.0%（不計及二零零二年應收款項撥備約港幣14,300,000元之影響）。因此，包括進一步重估本集團物業所產生約港幣1,500,000元之負面影響，本集團錄得股東應佔溢利約港幣1,200,000元（二零零二年：虧損約港幣42,400,000元，按重列）。

SEGMENTAL INFORMATION

Revenue from building products business was HK\$312.0 million, a decrease of 14.1% compared with HK\$363.2 million for the last corresponding period. This was mainly due to the scaling down of the marble and kitchen contracting operations. However, gross profit increased by 22.3% to HK\$57.2 million because of the higher margin in construction chemicals, marble export and the cost recovery of contracting projects. Turnover of the engineering equipment business reduced by 46.7% from HK\$115.0 million to HK\$61.4 million because substantial amount of income was recognised in 2002 with the completion of several large infrastructure contracts and the stagnant commercial property market. The Group also continued with its conservative fiscal policy and made additional cost provisions of HK\$0.8 million to cover the potential contracting risk of its engineering contracting operations. As a result, the gross profit of the engineering equipment business decreased from HK\$13.8 million to HK\$9.8 million.

DISPOSAL OF 29% EQUITY INTEREST IN AN ASSOCIATE

In December 2003, the Group disposed of 29% of its interest in an associate, Kingspan China Limited ("Kingspan China"), to the major shareholder of Kingspan China for a consideration of approximately HK\$4.2 million. As a result of the transaction, the Group's equity interest in Kingspan China reduced from 49% to 20%; however, Kingspan China remains an associate of the Group and, accordingly, the investment in Kingspan China continues to be accounted for in the consolidated financial statements of the Group under the equity method.

分部資料

建築產品業務錄得收入約港幣312,000,000元，較上一個同期約港幣363,200,000元減少14.1%，主要是由於雲石及廚櫃承建業務規模縮減所致。然而，由於建築化學用料和雲石出口利潤較高，以及收回承建項目賬款，毛利增加22.3%至約港幣57,200,000元。工程設備業務營業額由約港幣115,000,000元減少46.7%至約港幣61,400,000元，此乃由於本集團於二零零二年度完成多項大型基建合約並已於該年度確認了大額收入，以及疲弱的商用物業的市場所致。此外，本集團秉持穩健財務政策，作出額外成本撥備約港幣800,000元，以減低工程合約業務縮減之潛在風險。因此，工程設備業務之毛利由約港幣13,800,000元減至約港幣9,800,000元。

出售一家聯營公司29%股本權益

於二零零三年十二月，本集團以代價約港幣4,200,000元向一家聯營公司固溫中國有限公司（「固溫中國」）之主要股東出售本集團於固溫中國29%權益。基於是項交易，本集團於固溫中國之股本權益由49%減少至20%；然而，固溫中國仍為本集團之聯營公司，故本集團於固溫中國之投資會繼續按股本法計入本集團之綜合財務報表。

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a healthy balance sheet with no bank borrowing and zero gearing as at period end (At 31 December 2002: Nil). The Group successfully strengthened its cash reserves with positive cash flow of HK\$12.5 million from operating activities. As at end of December 2003, cash balances amounted to HK\$72.7 million with most placed in time deposits with reputable financial institutions. In view of the challenging market conditions, the Group will continue its conservative cash flow management policy and expects to meet its future financial requirements by internal resources and bank credit facilities. The Group adopts hedging policies for managing its risk exposure to foreign currency fluctuations and forward foreign exchange contracts have been arranged with the Group's principal bankers to mitigate exchange risks.

CONTINGENT LIABILITIES

Certain subsidiaries have given undertakings to banks that they will perform certain contractual non-financial obligations to third parties. In return, the banks have provided performance bonds and letters of guarantee to third parties on behalf of these subsidiaries. As at 31 December 2003, the amount of guarantees outstanding was HK\$16.2 million (At 31 December 2002: HK\$28.7 million).

BANKING FACILITIES WITH ASSETS PLEDGED

A property with net book value of HK\$49.5 million at period ended 31 December 2003 held by a subsidiary of the Group is pledged to a bank to obtain banking facilities.

流動資金及財政資源

本集團維持穩健的資產負債狀況，並於期終時並無任何銀行借貸，且資本負債比率為零（二零零二年十二月三十一日：零）。本集團成功加強其現金儲備並保持經營業務正現金流量約港幣12,500,000元。於二零零三年十二月底，現金結餘為約港幣72,700,000元，當中大部分款項以定期存款形式存於信譽昭著之財務機構。面對充滿挑戰的市況，本集團將貫徹其穩健之流動現金管理政策，預料以內部資源及銀行信貸融資，應付日後財務需要。本集團就管理外匯波動風險採納對沖政策，而本集團亦與其主要往來銀行訂定遠期外匯合約，以減低匯兌風險。

或然負債

若干附屬公司曾向銀行承諾會向第三方履行若干非財務性質之合約責任。該等銀行已就此代表有關附屬公司向第三方提供履約保證及擔保書。於二零零三年十二月三十一日，擔保金額為約港幣16,200,000元（二零零二年十二月三十一日：約港幣28,700,000元）。

以資產作抵押之銀行信貸

一項由本集團旗下附屬公司持有並截至二零零三年十二月三十一日止期間之賬面淨值為約港幣49,500,000元之物業，已為取得銀行信貸而抵押予銀行。

EMPLOYEES

At the end of the period, the Group had approximately 225 and 115 employees in the Mainland and Hong Kong respectively (2002: 230 and 140 respectively). The Group continues to provide remuneration packages and training programmes to employees with reference to prevailing market practices. The Group also adopted a new share option scheme on 11 July 2002 under which the directors of the Company, subject to the compliance of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, were authorised to grant share options to eligible persons as incentive. Details of share options granted during the year were disclosed in the directors' report.

OUTLOOK

The Hong Kong economy has shown a slight improvement over the last few months and it seems positioned for a recovery. However, the Group expects that the competitive market conditions in Hong Kong will continue in 2004 and is well prepared for another challenging year with its cost effective structure. The Group will continue to focus on high value added businesses including marble export, construction chemicals and air distribution products. To enhance profit growth opportunities, the Group will also widen its product range through multiple sourcing, consolidate its market share in Hong Kong and cautiously expand its coverage in Mainland China. With the solid foundation built through its conservative treasury policy, the Group remains confident and committed to its future.

僱員

於年終，本集團在內地及香港分別僱用約225名及115名僱員（二零零二年：分別230名及140名）。本集團繼續參考現行市場趨勢為僱員提供整套薪酬福利及培訓計劃。本集團亦於二零零二年七月十一日採納新購股權計劃，據此，在符合香港聯合交易所有限公司證券上市規則之規限下，本公司董事獲授權向合資格人士授予購股權作為獎勵。年內授出購股權之詳情將於董事會報告作出披露。

展望

香港經濟於過去數個月有輕微改善，似乎已為迎接經濟復甦作好準備。然而，本集團預期香港競爭激烈的市場環境於二零零四年仍然持續，故已制定具成本效益的架構為未來充滿挑戰的一年作好準備。本集團將繼續專注於高增值業務，當中包括雲石出口、建築化學用料及代理空調產品。為提升溢利增長機會，本集團亦會透過多種途徑採購擴闊其產品種類以鞏固於香港市場佔有率，並謹慎擴展中國內地的覆蓋範圍。憑藉本集團審慎資產管理政策奠下的穩固基礎，本集團仍對未來充滿信心及承擔。