Dear Shareholders

We would like to present the annual report for the year ended 31 March 2004.

We had a very rough start for the first two quarters of the year of 2003 due to outbreak of the Severe Acute Respiratory Syndrome (SARS) in the second quarter of 2003 in Hong Kong and our economy had paid a very heavy toll. The epidemic was finally over in June. The sentiment of Hong Kong people towards the future at that point in time was gloomy and feeling helpless. With the support and care from the central government of the People's Republic of China, the main part of CEPA was signed on 29 June 2003, we become more optimistic about our future economy albeit the benefit of the CEPA on Hong Kong economy has yet to be seen. Nevertheless, CEPA has tied Hong Kong people and People from Mainland China closer together economically if not politically and there will be more interaction at the government level between Hong Kong and China which would lead to the better communication and therefore better understanding of the key trade issues between Hong Kong and China in the context of the ever changing international business environment.

The recent statistics released by the government in June 2004 indicates that, there are 1,039 applications for the certificate of origin, and the total amount for all these applications in respect of the goods proposed to be exported to China under CEPA is estimated to be about HK $440 million. Furthermore, out of these 1,039 applications, only 23 were related to metal products. This suggests that the strength of our Hong Kong economy is not based on manufacturing sector. Perhaps, we should now be more focus on how the CEPA might assist the services and other sectors. Business people would like to know how they may start their own business venture in China under CEPA.

It appears that CEPA would not advance our business any further in terms of the manufacturing goods in Hong Kong for export to China as the main sources of the supply of the builders hardware in Hong Kong come from China and other overseas manufacturers. China made products are still our main competitors and we have managed to maintain our niche market by supplying high end products and by providing quality service. We would now examine the possibility of establishing our own brand of products for high end market in China.

On the other hand, it is highly visible that the recent relaxation of allowing the residents of certain cities in Mainland China to visit Hong Kong by the Central Government of the People's Republic of China has brought an immediate benefit to the Hong Kong tourist industry. It is estimated that over 2 million visitors from China has now visited Hong Kong and they have spent over HK$12 billion in Hong Kong since July 2003. All retailers and services which attract and cater for the visitors from China have now been better off than the other business and which in turn would have the ripple effect on the economy of Hong Kong. This translates into more confidence on spending. The retail sale has been bounced back since August 2003 and continues to do so up to now, in addition to the spending from the visitors/tourists from China, Hong Kong people are now more willing to spend than they were a year before.

It is not a coincidence that, with the change of the housing policy coupled with the sweep bounce back of our economy, there has been a gradual improvement in the price of property since the last quarter of 2003 even though the average pricing level for the first quarter of 2004 was still at about 75% of 1999 level. This reduces the number of negative equity owners and as we suggested in our earlier reports, the number of negative equity owners would serve as a thermometer of our economy. They were the middle class people which had been the building block of our economy. Any businesses and services, including ours, which cater for them would likewise very much depend on the limit of their disposable income, the recent decline in the number negative equity owners would fuel the economy in a more favourable direction as they have gained back the "once lost confidence" for their future.

Equity owners who are now out of the net of the negative equity would have more disposable income for their home improvement and other leisure activities. The new CEPA and policy of relaxation of allowing Chinese residents to visit Hong Kong would create a new wealth for a number of people who have been able to capitalize such policies. These new middle class people will be our building block of our future economy.

The demand for residential market has been growing since the last quarter of 2003 and people are buying flats as they believe that the government has now learnt from the past experience by introducing a new housing policy of the Government which seek to attain the balance of the interests of the developers and the home buyers and to ensure that our precious asset, land, would be valued carefully in the context of the requirements of our urban development taking the interests of all walks of life into consideration. Their continue to co-ordinate the timetable for the disposal of railway-property developments is one of the measures to ensure that there would not be an adverse impact on the property market.

With the sensible control of the land supply and other measures to stabilize the property market in Hong Kong. The management believes that there will not be any radical change in the number of the housing projects annually in the next 3 years and the demand for our products will be relatively stable. The economy of United States, one of the key markets for China made products is still growing strong while China would be able to maintain 8% of annual growth rate in the next few years. Hong Kong should do well as our economy is very much dependent on these two markets. We have a good start for Hong Kong economy this year and it is estimated that our GDP will be increased by 5-7% for the year of 2004. Even if we take the impending interest hike, which we believe would be very mild and gradual, into our equation, we are optimistic about the economic outlook of Hong Kong economy as long as the oil price would stay at relatively low level in future.

Under all these positive factors, I am pleased to report that there has been an increase of 23% on the sales in real term while our loss has reduced by over 34% compared to the year ended 31 March 2003 despite the adverse effect of the SARS which hindered our ability to improve the sale performance during the first half of the year. There has been an overall increase of project sale by 77% over last year and further more this year project sales represent 50% of our turnover compared to 35% last year. Our strategy is to maintain and expand our business for high end products in order to cope with the change of the market situations.

We have only managed to achieve the profit margin of 32% which reflects our inability to increase prices due to severe competitions on one hand and the cost of import is still high due to the high foreign exchange rate. This narrows our profit margin. Our key concern is how to improve the product mix in order to improve the profit. We have adopted a more conservative approach to our operations in order to preserve our strength in the ever changing government policies and the business environment in Hong Kong in the past years, we would move to any new business opportunity or venture assiduously, the details of which are discussed in subsequent sections of this report.

During the year, we continue to build our business in China with offices in Guangzhou and Tianjin and to expand our market places in other countries or territories such as Macau SAR. The astonishing rate of economic development in China would present us a very challenging opportunity and we are now building a competent team for China Market. Our main strategies are to increase our market shares both in Hong Kong and overseas markets and to extend to new business lines for other building materials which will be more profitable.

The new initiative introduced by the Innovation and Technology Commission of Hong Kong Government for development of innovation and technology in Hong Kong is a welcoming move. However, the Government simply proposes to identify 13 technology focus areas and set up research and development (R&D) centres in these focus areas, this would be perceived as bias selection (or planned economy if it is rigidly applied). Needless to say, only people in these selected focus areas would be the beneficiary of the program leaving those deserving creative industry behind. It would be, perhaps, more appropriate if we would focus on and give preference over those technology which will create intellectual property and will bring benefit to Hong Kong economy first.

We are, like other businessmen in Hong Kong, definitely interested to explore and invest in the innovation related to the industry we know best, (such as builders hardware and intelligent/electronic lock in our case) but we may not be able to benefit from these programs as our business is not within any of these 13 categories of the selected focus areas. Perhaps we should focus on selected focus technology/tools with enriched intellectual property content/technology rather on the selected product/industry. Hopefully, my token view would generate more discussion among different industries as whether they are or any of them is deserved to be included in the Government funding program.

Last but not least, on behalf of the management of the Company, I would like to express my sincere appreciation to our principals, customers and shareholders for their confidence and support in the Group.

TSE Sun Fat, Henry
Chairman
13 July 2004