management discussion and analysis

The following discussion provides information on contribution to revenue, operating profit, profit after tax, financial condition, liquidity and capital expenditure of the Group.

Results of Operations

The Group's turnover for the year ended 31 March 2004 was HK$154 million representing an increase of 23% as compared to last year. The increase was mainly due to the increase in sales of our products in both retail (represents 18.2% increase over last year) and property development projects (represents 77.1% increase over last year) despite the outbreak of SARS during the first half of the year.

The decrease in the Group's gross profit margin from 37.4% to 31.8% was caused mainly by the adverse foreign exchange rate for our import products and by our inability to increase prices due to severe competition for low end products demanded. On the other hand, with the loyal commitment of the part of our staff, we were able to maintain our operation while reducing further the administrative overheads by HK$7.5 million down to HK$23 million (2003: HK$30.5 million).

Wholesales/Retails

The difficulty facing our wholesale and retail operations was worsened by the SARS during the first half of the year, however we were able to increase the volume of sales in the second half of the year when our customers were willing to spend more for improving the drainage and bathroom facilities after the SARS epidemics.

Despite the difficult year for the building industry, the Group has still managed to obtain sales from a number of prestige project developments including Science Park I, Theme park Resort Project in Lantau Island while overseas projects include Les Vegas Sands Casino Macau, Shangri La Hotel in Fuzhou etc.

The retail sales currently contribute 26.9% of the Group's turnover despite the effect of SARS during the first half of the year.

Financial Resources and Liquidity

The Group remains prudent in its financial management, we obtain our supplies mainly by trading on open account or documents against acceptance. The current ratio and quick ratio are 5.76 (2003: 8.33) and 3.94 (2003: 5.37) respectively, while the cash and bank balances amounted to HK$32.93 million as at 31 March 2004 (2003: HK$40.62 million). The Group's gearing ratio (the ratio of total liabilities to the sum of total liabilities and owners' equity) increased to 15.1% as of 31 March 2004 (2003: 10.9%) which is mainly attributable to the increase of trade payable as a result of the increased in sales during the year. In addition, the Group had no bank borrowing as at 31 March 2004.

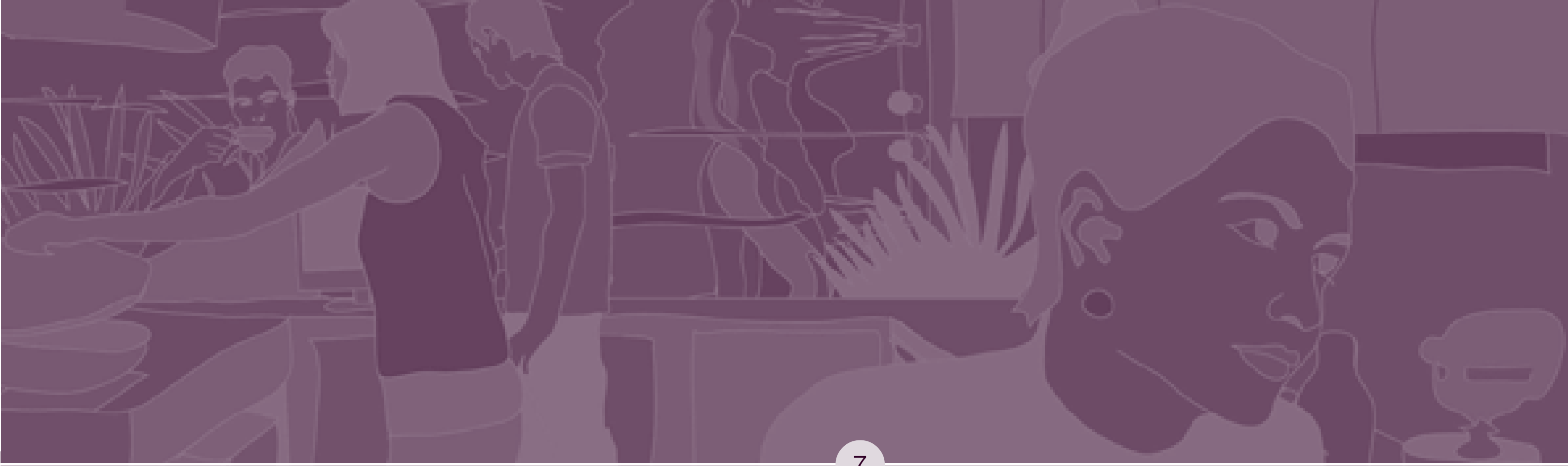
Except for the effect of foreign currency fluctuation on the Group's gross profit margin which has been discussed in the "Results and Operation" section above, the Group's exposure to foreign currency fluctuation is not material as cash balances are primarily denominated in Hong Kong Dollars while the Group continues to adopt prudently a hedging policy to minimize any foreign exchange risk.

Contingent liabilities

Details of contingent liabilities are set out in note 21 to the accounts.

People

As at 31 March 2004, our loyal workforce remained at 110 (2003: 110 employees). In July 2004, we are pleased to appoint Mr. YICK Kai Chung as an executive director of the Company, Mr. YICK joined the Group in 1979 and has been responsible for overseeing major accounts and wholesale business of the Group and products sourcing and technical support. In addition, our executive director Mr. MAK So aged 64 was redesignated as a non executive director. The Board would like to thank Mr. Mak for his contribution to the success of the Group and is grateful to have his continuing support as non-executive director.



Future Prospects

The economic recovery of Hong Kong appears to hold on in the first half year of 2004 and the GDP is expected to increase by 5-7% for the year of 2004, we share with the sentiments of most of the businessmen in Hong Kong that Hong Kong will reconfirm itself an international trading logistics and financial center, with its established regulatory framework and other infrastructure, the territory remains competitive when compared with other cities in China for the next few years but the determination of these cities to become a regional hub or center for logistics, aviation and maritime services in the near future would weaken Hong Kong's competitive edge in these services and Hong Kong must readjust its role in the context of the competitions from these cities.

With the new housing policy being recently introduced by the Hong Kong Government, the price of the property market would likely be stable with moderate increase annually in the next three years. This means that the market demand for our products would be relatively stable.

We continue to expand our business in China, and Macau. We set up showroom in Macau, and with our effort, we have now generated more sale in Macau and our customer base includes Les Vegas Sands casino. We are now working on other Macau's development projects., In China , we have now established a further 61 local dealerships for our products since last year, and our coverage includes large cities such as Beijing, Shanghai, Cheungdu and various towns in Guangdong as we note that the level of expenditure have steadily increased in recent years in China due to its high annual growth rate of economic development. We remain optimistic about the continuing development of China economy and the potential business that may be brought in by the 2008 Olympic games in Beijing.

Use of Proceeds from the public offering

The company raised approximately HK$62 Million ("Net Proceeds") from the new issue and placing of shares in early April 2000. During the year, the application of the net proceeds by the Group was in compliance with the intended use of proceeds as set out in the Company's prospectus dated 28 March 2000 and the subsequent amendment on 5 August 2002, details of the utilization up to 31 March 2004 are as follows:–

(a) Approximately HK$13.56 million was used for the expansion of distribution network, it mainly represents cost of establishment of new retail outlets and offices in China.

(b) Approximately HK$2.33 million was used to enhance existing computer system and software application.

(c) Approximately HK$2.87 was used for securing new distributorships.

(d) Approximately HK$13 million was used for working capital including expansion of product range.

The remaining balance has been placed with banks in Hong Kong as short-term deposits for working capital purposes.