

## REVIEW OF OPERATIONS

During the reporting period, the Group continued to be engaged principally in its core business of trading of building materials and engineering equipment. The financial performance of the Group remained largely affected by the level of construction activities in Hong Kong.

The Group's turnover amounted to HK\$321.2 million in 2004, representing a decline of approximately 14% compared with 2003 (2003: HK\$373.4 million). This was mainly attributable to the reduced activities in the construction industry. Despite the continued downturn in prices, the Group successfully improved its gross profit margin before cost provisions to 17.8% (2003: 17.3%) through its focus on higher value added activities. The gross margin was adjusted to 17.8% (2003: 18.0%) after taking into account the negative impact of further cost provision of HK\$0.03 million (2003: write back cost provision of HK\$2.4 million) for contracting business. Operating expenses was also reduced by some 9.3% to HK\$65.1 million (2003: HK\$71.8 million) which included the provision for bad debts and stock obsolescence of HK\$2.8 million (2003: HK\$1.5 million) and HK\$0.5 million (2003: HK\$0.4 million) respectively. As a result, the Group reported a profit attributable to shareholders of HK\$2.5 million (2003: profit of HK\$1.2 million), after crediting properties revaluation gain of HK\$2.8 million (2003: revaluation loss of HK\$1.5 million).

With the change in strategic focus, the Group had scaled down its air-conditioning activities. The Group negotiated with customers to successfully cancel certain contracts of low margin and long lead time in the engineering field with amount of around HK\$90 million. Outstanding orders on hand as at end of the year were thus reduced to HK\$101.4 million (At 31 December 2003: HK\$251.2 million). It was largely caused by our reduced activities in air-conditioning equipment. It also reflected the shorter delivery lead time required from the Group's repositioned activities.

## 業務回顧

於報告期間，本集團主要繼續從事建築材料買賣及工程設備之核心業務。本集團之財務表現依然受著本港的建築工程活動所影響。

本集團於二零零四年之營業額為約港幣321,200,000元，較二零零三年下跌約14%（二零零三年：約港幣373,400,000元）。營業額之下跌主要為建築業的工程項目減少所致。儘管價格持續下調，本集團透過專注高增值業務而成功改善其扣除成本撥備前之邊際毛利至17.8%（二零零三年：17.3%）。計及承建業務其他成本撥備約港幣30,000元的不利影響（二零零三年：撥回成本撥備約港幣2,400,000元）後，邊際毛利調整至17.8%（二零零三年：18.0%）。經營開支亦減少約9.3%至約港幣65,100,000元（二零零三年：約港幣71,800,000元），其中包括壞賬撥備及過時存貨撥備分別為約港幣2,800,000元（二零零三年：約港幣1,500,000元）及約港幣500,000元（二零零三年：約港幣400,000元）。因此，計入物業重估收益約港幣2,800,000元（二零零三年：重估虧損約港幣1,500,000元）後，本集團之股東應佔溢利為約港幣2,500,000元（二零零三年：溢利約港幣1,200,000元）。

隨著策略目標改變，本集團已縮減其空調業務。與客戶磋商後，本集團成功取消若干低利潤及長付運時間的工程合約為數約港幣90,000,000元。年終未完成的訂單因而減少至約港幣101,400,000元（於二零零三年十二月三十一日：約港幣251,200,000元），有關跌幅主要是由於本集團縮減空調設備業務。此亦反映出本集團重新定位的業務要求較短的付運時間。

## SEGMENTAL INFORMATION

Revenue from building products business was HK\$265.9 million, a decrease of 14.8% compared with HK\$312.0 million of last year. This was mainly due to the reduced construction activities. However, we recorded growth in construction chemical and marble operations. These higher value added activities also contributed to the improved gross margin of 18.1% before cost provision adjustments (2003: 17.3%). Gross margin after cost provision adjustments was 18.8% and 18.3% in 2004 and 2003 respectively.

Turnover of engineering equipment business was reduced by 10% from HK\$61.4 million to HK\$55.3 million mainly because of our decision to scale down the air-conditioning trading operations. This was partially compensated by the increase in turnover of air distribution products – one of our strategic focuses.

The Group recovered doubtful debts of HK\$2.6 million in air-conditioning contracting works and this was recorded as other revenue in the consolidated financial statement. We also continued with our conservative policy and made additional cost provisions of a similar amount. As a result, operating contribution of engineering equipment was decreased from HK\$9.8 million to HK\$6.9 million.

## CAPITAL COMMITMENT

In view of the growth in our marble export business, the Group committed to purchase around 30,000 sq.m. of land in Dongguan of PRC to build a new marble processing factory. Total consideration amounted to RMB1.8 million of which 50% was paid in 2004. We estimate that total capital expenditure for the new factory project is around HK\$18.0 million and the Group will finance this project from internal resources.

## LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a healthy balance sheet at the end of the year with cash in hand of HK\$84.4 million, mostly placed in time deposits with reputable financial institutions. The Group had no bank borrowing as at 31 December 2004 and maintained zero gearing throughout the year (At 31 December 2003: Nil). We will continue to manage our cashflow cautiously and expect to meet our future financial requirements by internal resources and bank credit facilities. In managing the foreign currency risk, the Group adopts a conservative hedging policy through booking of forward foreign exchange contracts with its principal bankers.

## 分部資料

建築產品業務錄得收入約港幣265,900,000元，較去年約港幣312,000,000元下跌14.8%，該跌幅主要由於工程項目減少。然而，本集團的建築化學用料及雲石出口業務錄得增長，該等高增值業務亦使扣除成本撥備調整前之邊際毛利改善至18.1%（二零零三年：17.3%）。二零零四年及二零零三年扣除成本撥備調整後之邊際毛利分別為18.8%及18.3%。

工程設備業務的營業額由約港幣61,400,000元減少10%至約港幣55,300,000元，這主要是由於本集團縮減空調貿易所致，而本集團策略重點之一的空調輸送產品業務營業額的增長得以部分補償有關跌幅。

本集團索回空調合約工程之呆賬約港幣2,600,000元，並於綜合財務報表中以其他收入列賬。根據我們一貫的穩健政策作出相若數額的額外成本撥備後，工程設備之經營貢獻亦因而由約港幣9,800,000元減少至約港幣6,900,000元。

## 資本承擔

鑑於本集團雲石出口業務有所增長，本集團決定於中國東莞購買一幅近30,000平方米之土地以興建新雲石廠房，總代價為人民幣1,800,000元，其中50%已於二零零四年支付。本集團預計新廠房計劃之總資金開支約為港幣18,000,000元，並將以內部資金為該項計劃提供資金。

## 流動資金及財政資源

本集團維持穩健的資產負債狀況，於年終時之現金結餘為約港幣84,400,000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。本集團於二零零四年十二月三十一日並無任何銀行借貸，且於整個年度維持零資本負債比率（二零零三年十二月三十一日：零）。本集團將繼續謹慎管理流動現金，並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穩健對沖政策，與其主要往來銀行訂定遠期外匯合約。

## CONTINGENT LIABILITIES

Certain subsidiaries have given undertakings to the 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 the subsidiaries. As at 31 December 2004, the amount of guarantees outstanding was HK\$2.5 million (At 31 December 2003: HK\$16.2 million).

## BANKING FACILITIES WITH ASSETS PLEDGED

A property with a net book value of HK\$51.0 million at the year ended 31 December 2004 held by a subsidiary of the Group was pledged to a bank to obtain banking facilities.

## EMPLOYEES

At the end of the year 2004, the Group had approximately 300 and 100 employees in the PRC and Hong Kong respectively (2003: 225 and 115 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 (“Listing Rules”) on The Stock Exchange of Hong Kong Limited (“Stock Exchange”), were authorised to grant share options to eligible persons as incentive. Details of share options granted during the year were disclosed in the Report of the Directors’ of this report.

## OUTLOOK

The encouraging news that the Hong Kong economy recovered strongly fuels optimism in the property market. The Group will continue to focus on its traditional higher value added activities and expanding its newer activities including marble export, construction chemicals and air distribution products. We expect our new marble factory to give us sufficient capacity to meet the growing demand from our overseas customers. With a healthy balance sheet and a flexible organizational structure, the Group remains confident in its future.

## 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。於二零零四年十二月三十一日，擔保金額為約港幣2,500,000元（二零零三年十二月三十一日：約港幣16,200,000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二零零四年十二月三十一日止年度之賬面淨值為約港幣51,000,000元之物業，已為取得銀行信貸而抵押予銀行。

## 僱員

於二零零四年年終，本集團在中國及香港分別僱用約300名及100名僱員（二零零三年：分別225名及115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（「聯交所」）證券上市規則（「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。年內授出之購股權詳情已於本年報所載之董事會報告中作出披露。

## 展望

本港經濟的強勢逆轉使物業市場氣氛漸趨明朗，本集團將繼續專注於其傳統的高增值業務以及擴展新業務，包括雲石出口、建築化學用料及空調輸送產品業務。本集團預期新雲石廠房可提供足夠的生產能力，以應付海外客戶日增的需求。憑藉穩健資產狀況及具彈性的組織架構，本集團對未來仍然充滿信心。