

Review of Operations

The Group continued to be engaged principally in its core business of trading of building materials and engineering equipment with its financial performance remained highly correlated to the level of construction activities in Hong Kong. For the year 2005, the Group recorded a turnover of HK\$292.4 million with gross profit of HK\$58.7 million (2004: HK\$321.2 million and HK\$57 million respectively). The decline in turnover was mainly caused by our decision to cancel certain low margin engineering equipment orders at the end of last year. However, gross profit margin improved from 17.8% to 20.1% as a result of the Group's focus on high value added trading activities. Operating expenses were maintained at the same level as last year. However, if the net write-back of provision for impairment of receivables of HK\$1.6 million (2004: HK\$2.5 million) is excluded, operating expenses reduced by 1.3% over last year. Accordingly, the Group's profit attributable to shareholders for the year was improved to HK\$1.6 million (2004: Group's loss attributable to shareholders was HK\$0.9 million, as restated).

The Group continued to consolidate its market position in Hong Kong and successfully enhanced its coverage in the Mainland and Macau. As a result, the Group's outstanding orders on hand at the year end amounted to HK\$133.8 million, representing an increase of 32.5% over the end of last year (At December 2004: HK\$101 million).

Segmental Information

Revenues from the building products business were HK\$257.9 million, representing a decrease of 3% compared with HK\$265.9 million in the last corresponding period. Turnover of plumbing fixtures, tiles and construction chemicals was HK\$19.5 million lower. The decrease in sales revenue was partially offset by the HK\$11.2 million improvements in export operations. Despite the decrease in turnover, gross profit improved by 3.6% from HK\$50.2 million to HK\$52 million because of the improved margin in nearly all areas.

Turnover of the engineering business decreased by 37.5% to HK\$34.6 million because of our decision to cancel certain low margin orders at the end of last year. However, gross profit decreased from HK\$6.9 million to HK\$6.6 million only because the low margin orders have been cancelled. In order to capture future growth opportunities, the Group has located several new air handling products from Europe and North Asia for launch in 2006.

業務回顧

本集團繼續專注經營建築材料及工程設備貿易，其財務表現仍受著本港建築工程事業活動影響。年內，本集團錄得營業額約港幣292,400,000元及總溢利約港幣58,700,000元（二零零四年：分別為約港幣321,200,000元及約港幣57,000,000元）。營業額下降，主要由於集團於去年底決定取消若干邊際利潤偏低的工程設備訂單所致。唯本集團致力專注高增值潛力之貿易活動，致使邊際毛利率仍從17.8%改善至20.1%。營運開支則維持去年水平，唯倘不將約港幣1,600,000元（二零零四年：約港幣2,500,000元）之應收款減值撥備撥回計入時，營運開支則比去年減少1.3%。因此，本集團於本年度之股東應佔溢利改善至約港幣1,600,000元（二零零四年：本集團股東應佔虧損為約港幣900,000元，經重列）。

本集團進一步穩固其於香港的市場地位，並成功發展中國及澳門市場，年終之未完成訂單金額為約港幣133,800,000元，較去年年底增加32.5%（二零零四年十二月：約港幣101,000,000元）。

分部資料

建築產品業務之收入為約港幣257,900,000元，較去年同期約港幣265,900,000元下跌3%。衛浴潔具、磁磚及建設化學產品之營業額下跌約港幣19,500,000元。出口業務帶來約港幣11,200,000元之業務增長亦改善了營業額收入的部份跌幅。儘管營業額放緩，唯在幾乎所有業務範疇之邊際利潤均有改善之情況下，經營業績改善3.6%，即由約港幣50,200,000元增加至約港幣52,000,000元。

工程設備業務之營業額減少37.5%至約港幣34,600,000元，此乃由於集團決定於去年底取消若干邊際利潤偏低之訂單所致。由於集團取消邊際利潤低之訂單，邊際毛利亦由約港幣6,900,000元下調至約港幣6,600,000元。為抓緊日後增長機會，本集團已從歐洲及亞洲北部物色若干通風空調產品，擬定於二零零六年推出市場。

Adoption of New and Revised Financial Reporting Standards

Due to the requirement to adopt the new and revised Hong Kong Financial Reporting Standards on 1 January 2005, the Group has incorporated prior year and opening adjustments in its 2005 profit and loss account. Further details of the implications have been provided in the notes to the financial statements.

Capital Commitment

The Group commenced the construction work of its new marble processing factory in Dongguan. Upon completion of the new factory by the end of this year, we expect to triple our production capacity and shall be able to meet the increasing overseas demand of marble mosaic. We estimate that the total capital expenditure for the new plant will be approximately HK\$20 million, of which HK\$11.1 million had been paid or was payable as at the end of the year. The Group expects to finance this project from internal resources and bank credit facilities.

Foreign Exchange Exposure and Financial Hedging

The Group adopts hedging policies for managing its risk exposure to foreign currency fluctuations and forward exchange contracts have been arranged with the Group's principal bankers to mitigate exchange risks. Further information of the forward exchange contracts is disclosed in the notes to the financial statements.

Liquidity and Financial Resources

The Group maintained a healthy balance sheet with no bank borrowing and zero gearing as at year end (At 31 December 2004: Nil). The Group remained conservative in working capital management and recorded a positive cash flow of HK\$10.8 million from operations. As at the end of 2005, cash balances amounted to HK\$70.4 million (At 31 December 2004: HK\$84.4 million). The decline in cash balances was largely caused by the payment of a HK\$9.9 million final dividend declared in 2004 and capital expenditure of approximately HK\$10 million for the new factory in the Mainland.

Most of the Group's cash balances are placed in time deposits with reputable financial institutions. The Group will continue its conservative cash flow management policy and expects to meet its future financial requirements through internal resources and bank credit facilities.

關於採納新訂或經修訂之財務報告準則

鑑於採納於二零零五年一月一日生效之新訂或經修訂之香港財務報告準則，本集團已於二零零五年度財務報表中對前期數字和期初結餘作出相應之調整，相關影響之其他詳情，已載於財務報表附註內。

資本承擔

本集團於中國東莞市興建之新雲石廠房已開始施工。待新廠房於本年底前竣工後，集團預期生產量將增加至現時之三倍，屆時將可滿足海外市場對雲石拼切的殷切需求。集團估計新廠房之總資本開支將為約港幣20,000,000元，其中約港幣11,100,000元已於年末時支付及應付。本集團將以內部資源及銀行信貸為該項計劃提供資金。

外匯風險及財務對沖

本集團採納對沖政策以管理外匯波動，並與其主要往來銀行訂定遠期外匯合約以減輕兌換風險。有關遠期外匯合約之其他資料已在財務報表附註中作出披露。

流動資金及財政資源

本集團維持穩健的資產負債狀況，於年終時並無任何銀行借貸，且資本負債比率為零（二零零四年十二月三十一日：零）。本集團將繼續謹慎管理流動現金，並保持營運業務現金正流量約港幣10,800,000元。於年終，現金結餘為約港幣70,400,000元（二零零四年十二月三十一日：約港幣84,400,000元）。現金結餘之下降主要為集團於二零零四年宣派約港幣9,900,000元之末期股息以及投放於內地新廠房之資本約港幣10,000,000元所致。

本集團大部份現金結餘均以定期存款形式存於信譽良好之財務機構。本集團將貫徹其審慎流動現金管理政策，並將以內部資源及銀行信貸融資，應付日後財務需要。

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 these subsidiaries. As at 31 December 2005, the amount of guarantees outstanding was HK\$2.4 million (At 31 December 2004: HK\$2.5 million).

Banking Facilities with Assets Pledged

A property with net book value of HK\$52 million at year ended 31 December 2005 held by a subsidiary of the Group is pledged to a bank to obtain banking facilities.

Employees

At the end of the year, the Group had approximately 300 employees in the Mainland and 110 employees in Hong Kong and Macau. The Group continues to provide remuneration packages and training programmes to employees with reference to prevailing market practices. Under the existing share option scheme of the Group, subject to the compliance with the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the directors were authorised to grant share options to eligible persons as incentives. Details of share options granted have been disclosed in the “Report of the Directors” of this annual report.

Outlook

We expect market conditions to remain competitive in Hong Kong. The Group will continue to focus on building our own proprietary businesses and explores growth opportunities in Macau and the Mainland. With a healthy financial foundation and a dedicated professional team, the Group remains cautiously optimistic that it will take full advantage of the economic recovery.

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。於二零零五年十二月三十一日，未償還之擔保金額為約港幣2,400,000元（二零零四年十二月三十一日：約港幣2,500,000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於年終時之賬面淨值為約港幣52,000,000元之物業，已為取得銀行信貸而抵押予銀行。

僱員

於年終時，本集團在內地僱用約300名僱員及在香港和澳門僱用約110名僱員。本集團繼續參考現行市場慣例為僱員提供整套薪酬福利及培訓計劃。按本集團之現行購股權計劃，在遵守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以作獎勵。所授出購股權之詳情列於本年報「董事會報告」一欄內。

展望

我們預期香港市場競爭仍然激烈，唯本集團仍繼續堅守其專營業務，並拓展澳門及內地市場增長機會。憑藉穩健之財務狀況及竭誠投入的專業隊伍，本集團深信必能在經濟復甦之境況下全面掌握先機。