

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.

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.

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 is 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 directors' report annexed to the 2004 Annual Report to be despatched to the shareholders.

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.

FINAL DIVIDEND

The board of director (the "Board") of the Company has recommended the payment of a final dividend of HK4.4 cents per ordinary share, totalling HK\$9,878,000 for the year ended 31 December 2004 (2003: final dividend of HK4.4 cents per ordinary share) subject to the approval of Company's shareholders at the forthcoming annual general meeting. If approved, the final dividend will be paid on or about 19 May 2005.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed, for the purpose of determining shareholder's entitlement to the final dividend, from 27 April 2005 to 29 April 2005 (both days inclusive), during which period no transfer of shares can be registered. In order to qualify for the above final dividend, all transfer documents accompanied by the relevant share certificate(s) must be lodged with the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 pm on 26 April 2005.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the year ended 31 December 2004. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

CORPORATE GOVERNANCE

Throughout the year, the Company was in compliance with the Code of Best Practice as set out in the then effective Appendix 14 of the Listing Rules, save that the non-executive directors were not appointed for a specific term as they are subject to retirement and re-election at annual general meetings in accordance with the Company's Bye-laws.

PUBLICATION ON THE STOCK EXCHANGE WEBSITE

All information required by paragraph 45(1) to 45(3) inclusive of Appendix 16 of the Listing Rules in force prior to 31 March 2004, which remains applicable to results announcements in respect of accounting periods commencing before 1 July 2004, under the transitional arrangement, will be published on the website of the Stock Exchange in due course.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the audited financial statements for the year ended 31 December 2004 with the directors.

On behalf of the Board
Michael John Green
 Chairman

Hong Kong, 10 March 2005

As at the date of this announcement, the directors of the Company are:

Executive directors: Mr Michael John Green, Mr Daniel George Green, and Mr Lai Ka Tak, Patrick; Non-executive directors: Mr Augustus Ralph Marshall and Mr Christopher John David Clarke; Independent non-executive directors: Mr V-Nee Yeh, Mr Thaddeus Thomas Beczak and Mr Simon Murray.