



CNT GROUP LIMITED

(北海集團有限公司)

(Incorporated in Bermuda with limited liability)

(Stock Code: 701)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2006

The directors of CNT Group Limited (the “Company”) announce the annual consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2006 together with comparative amounts for the corresponding period in 2005 as follows:

CONSOLIDATED INCOME STATEMENT

	<i>Notes</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
CONTINUING OPERATIONS			
REVENUE	4	611,052	551,244
Cost of sales		(425,492)	(381,714)
Gross profit		185,560	169,530
Other income and gains	4	38,512	43,849
Selling and distribution costs		(84,634)	(76,024)
Administrative expenses		(107,072)	(97,809)
Other expenses, net		(16,319)	(32,859)
Finance costs	5	(7,573)	(7,526)
Share of profits and losses of associates		1,936	396
PROFIT/(LOSS) BEFORE TAX	6	10,410	(443)
Tax	7	(3,505)	(2,705)
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		6,905	(3,148)
DISCONTINUED OPERATIONS			
Gain on disposal of discontinued operations		11,581	—
Loss for the year from discontinued operations		—	(3,719)
		11,581	(3,719)
PROFIT/(LOSS) FOR THE YEAR		18,486	(6,867)
ATTRIBUTABLE TO:			
Equity holders of the parent		18,739	(7,865)
Minority interests		(253)	998
		18,486	(6,867)

	<i>Notes</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
DIVIDEND			
Proposed conditional final	8	<u>15,395</u>	<u>—</u>
EARNINGS/(LOSS) PER SHARE			
ATTRIBUTABLE TO ORDINARY EQUITY			
HOLDERS OF THE PARENT			
Basic			
- For profit/(loss) for the year	9	<u>HK1.22 cents</u>	<u>HK(0.51) cents</u>
- For profit/(loss) from continuing operations		<u>HK0.47 cents</u>	<u>HK(0.27) cents</u>
Diluted			
- For profit/(loss) for the year		<u>N/A</u>	<u>N/A</u>
- For profit/(loss) from continuing operations		<u>N/A</u>	<u>N/A</u>

CONSOLIDATED BALANCE SHEET

	<i>Notes</i>	2006 HK\$'000	2005 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		226,404	225,065
Investment properties		113,900	95,520
Property under development		26,800	25,000
Prepaid land premium		1,567	1,546
Goodwill		—	—
Interests in associates		17,447	34,538
Available-for-sale investments		167,087	167,087
Deposit for purchase of a property		46,000	46,000
Long term portion of a mortgage loan receivable		—	766
Deferred tax asset		6	6
Pension scheme asset		1,217	890
Total non-current assets		<u>600,428</u>	<u>596,418</u>
CURRENT ASSETS			
Inventories		52,287	57,583
Trade receivables	10	104,707	100,297
Prepayments, deposits and other receivables		18,000	30,100
Equity investment at fair value through profit or loss		—	33
Current portion of a mortgage loan receivable		—	44
Cash and cash equivalents		128,459	96,612
Assets of disposal groups classified as held for sale		303,453	284,669
		<u>—</u>	<u>355,711</u>
Total current assets		<u>303,453</u>	<u>640,380</u>
CURRENT LIABILITIES			
Trade and bills payables	11	77,564	78,104
Other payables and accruals		65,126	85,035
Interest-bearing bank and other borrowings		40,773	112,582
Tax payable		933	1,679
Liabilities directly associated with the assets of disposal groups classified as held for sale		184,396	277,400
		<u>—</u>	<u>264,735</u>
Total current liabilities		<u>184,396</u>	<u>542,135</u>
NET CURRENT ASSETS		<u>119,057</u>	<u>98,245</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>719,485</u>	<u>694,663</u>

	<i>Notes</i>	2006 HK\$'000	2005 HK\$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		32,667	38,778
Deferred tax liabilities		<u>10,347</u>	<u>9,720</u>
Total non-current liabilities		<u>43,014</u>	<u>48,498</u>
Net assets		<u>676,471</u>	<u>646,165</u>
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital		153,947	153,297
Reserves		500,430	486,817
Proposed conditional final dividend	8	<u>15,395</u>	<u>—</u>
		669,772	640,114
Minority interests		<u>6,699</u>	<u>6,051</u>
Total equity		<u>676,471</u>	<u>646,165</u>

Notes to Consolidated Financial Statements

1. Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which also include Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, certain buildings, certain available-for-sale investments, equity investment at fair value through profit or loss and pension scheme asset, which have been measured at fair value. Disposal groups and non-current assets held for sale were stated at the lower of their carrying amounts and fair value less costs to sell. These financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand (“HK\$000”) except when otherwise indicated.

2.1. Impact of new and revised Hong Kong Financial Reporting Standards

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards and interpretation has had no material effect on these financial statements.

HKAS 19 Amendment	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 Amendment	Net Investment in a Foreign Operation
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendment	The Fair Value Option
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease

2.2. Impact of issued but not yet effective Hong Kong Financial Reporting Standards

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HKFRS 8	Operating Segments
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 <i>Financial Reporting in Hyperinflationary Economies</i>
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2 - Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on the Group's results of operations and financial position.

3. Segment information

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

- (a) the paint products segment engages in the manufacturing and sale of paint products;
- (b) the property investment segment comprises:
 - (i) the investment in residential and commercial premises for their rental income potential;
 - (ii) the development and sale of properties;

- (c) the “others” segment comprises, principally, the sale of crushed stone (discontinued during the year ended 31 December 2005), the trading of steel products and securities trading and investment;
- (d) the marble and granite segment engages in the processing and sale of marble and granite (discontinued during the year ended 31 December 2005); and
- (e) the fuel segment engages in the manufacturing and trading of fuel (discontinued during the year ended 31 December 2005).

In determining the Group’s geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

Intersegment sales and transfers are transacted at mutually agreed terms.

(a) *Business segments*

The following tables present revenue, profit/(loss), certain asset and liability, income and expenditure information for the Group’s business segments for the years ended 31 December 2006 and 2005.

Year ended 31 December 2006	Paint products <i>HK\$’000</i>	Property investment <i>HK\$’000</i>	Others <i>HK\$’000</i>	Eliminations <i>HK\$’000</i>	Consolidated <i>HK\$’000</i>
Continuing operations					
Segment revenue:					
Sales to external customers	569,427	6,098	35,527	—	611,052
Intersegment sales	—	5,209	—	(5,209)	—
Other income and gains	<u>8,162</u>	<u>3,458</u>	<u>25,211</u>	<u>—</u>	<u>36,831</u>
Total	<u>577,589</u>	<u>14,765</u>	<u>60,738</u>	<u>(5,209)</u>	<u>647,883</u>
Segment results	<u>37,281</u>	<u>(11,173)</u>	<u>16,381</u>	<u>11,425</u>	53,914
Interest income					1,681
Unallocated expenses					(39,548)
Finance costs					(7,573)
Share of profits and losses of associates					<u>1,936</u>
Profit before tax					10,410
Tax					<u>(3,505)</u>
					6,905
Discontinued operations					
Gain on disposal of discontinued operations					<u>11,581</u>
Profit for the year					<u>18,486</u>

Year ended 31 December 2006	Paint products <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Others <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Assets and liabilities:					
Segment assets	263,022	321,836	5,293	(868)	589,283
Interests in associates	—	17,447	—	—	17,447
Unallocated assets:					
Available-for-sale investments					167,087
Others					<u>130,064</u>
Total assets					<u><u>903,881</u></u>
Segment liabilities	133,713	4,815	2,599	(868)	140,259
Unallocated liabilities					<u>87,151</u>
Total liabilities					<u><u>227,410</u></u>
Other segment information:					
Depreciation	9,993	2,951	155	—	13,099
Capital expenditure	15,147	350	129	—	15,626
Gain on disposal of an available-for-sale investment	—	—	(15,237)	—	(15,237)
Gain on disposal of assets/liabilities of disposal groups classified as held for sale, net	—	(299)	—	—	(299)
Gain on subsequent remeasurement of assets of disposal groups classified as held for sale, net	—	(473)	—	—	(473)
Write-back of impairment of property under development	—	(1,450)	—	—	(1,450)
Impairment of an amount due from an associate	—	10,233	—	—	10,233
Write-down of inventories to net realisable value	1,530	—	—	—	1,530
Fair value loss on investment properties, net	—	1,780	—	—	1,780
Impairment of trade receivables	1,163	—	—	—	1,163
Write-back of impairment of deposits and other receivables	<u>—</u>	<u>—</u>	<u>(1,996)</u>	<u>—</u>	<u>(1,996)</u>

Year ended 31 December 2005	Continuing operations					Discontinued operations				
	Paint products	Property investment	Others	Eliminations	Total	Marble and granite	Fuel	Eliminations	Total	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:										
Sales to external customers	501,995	5,191	44,058	—	551,244	503	1,839	—	2,342	553,586
Intersegment sales	—	5,474	—	(5,474)	—	—	1,641	(1,641)	—	—
Other income and gains	5,622	28,084	9,421	—	43,127	4,761	—	—	4,761	47,888
Total	<u>507,617</u>	<u>38,749</u>	<u>53,479</u>	<u>(5,474)</u>	<u>594,371</u>	<u>5,264</u>	<u>3,480</u>	<u>(1,641)</u>	<u>7,103</u>	<u>601,474</u>
Segment results	<u>42,100</u>	<u>(1,737)</u>	<u>(1,320)</u>	<u>8,918</u>	47,961	<u>(429)</u>	<u>(3,722)</u>	<u>432</u>	(3,719)	44,242
Interest income					722				—	722
Unallocated expenses					(41,996)				—	(41,996)
Finance costs					(7,526)				—	(7,526)
Share of profits and losses of associates					396				—	396
Loss before tax					(443)				(3,719)	(4,162)
Tax					(2,705)				—	(2,705)
Loss for the year					<u>(3,148)</u>				<u>(3,719)</u>	<u>(6,867)</u>
Assets and liabilities:										
Segment assets	268,057	307,241	2,689	(368)	577,619	377	—	—	377	577,996
Interests in an associate	—	25,372	—	—	25,372	—	—	—	—	25,372
Unallocated assets:										
Interests in associates					9,166				—	9,166
Available-for-sale investments					167,087				—	167,087
Assets of disposal groups classified as held for sale					352,142				3,569	355,711
Others					101,466				—	101,466
Total assets					<u>1,232,852</u>				<u>3,946</u>	<u>1,236,798</u>

Year ended 31 December 2005	Continuing operations					Discontinued operations				
	Paint products	Property investment	Others	Eliminations	Total	Marble and granite	Fuel	Eliminations	Total	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment liabilities	138,345	25,336	3,000	(368)	166,313	13,614	3,076	—	16,690	183,003
Unallocated liabilities										
Liabilities directly associated with the assets of disposal groups classified as held for sale					264,735				—	264,735
Others					142,895				—	142,895
Total liabilities					<u>573,943</u>				<u>16,690</u>	<u>590,633</u>
Other segment information:										
Depreciation	8,969	2,648	1,409	—	13,026	3,752	5	—	3,757	16,783
Capital expenditure	22,547	182,270	80	—	204,897	—	—	—	—	204,897
Impairment of an amount due from an associate	—	12,000	—	—	12,000	—	—	—	—	12,000
Unallocated amounts					426					426
					<u>12,426</u>					<u>12,426</u>
Write-down of inventories to net realisable value	1,056	—	—	—	1,056	—	—	—	—	1,056
Impairment of deposit for purchase of a property	—	10,299	—	—	10,299	—	—	—	—	10,299
Write-back of impairment of items of property, plant and equipment	—	—	—	—	—	(1,127)	—	—	(1,127)	(1,127)
Write-back of impairment of properties under development	—	(7,663)	—	—	(7,663)	—	—	—	—	(7,663)
Fair value gain on investment properties, net	—	(12,503)	—	—	(12,503)	—	—	—	—	(12,503)
Write-back of impairment of trade receivables	(1,547)	—	—	—	(1,547)	—	—	—	—	(1,547)
Write-back of impairment of other receivables	—	(4,754)	—	—	(4,754)	—	—	—	—	(4,754)

(b) *Geographical segments*

The following table present revenue, certain asset and expenditure information for the Group's geographical segments for the years ended 31 December 2006 and 2005.

	Hong Kong		Mainland China		Japan		Others		Eliminations		Consolidated	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:												
Sales to external customers	103,839	106,634	507,196	445,096	—	1,839	17	17	—	—	611,052	553,586
Attributable to discontinued operations	—	(141)	—	(362)	—	(1,839)	—	—	—	—	—	(2,342)
Revenue from continuing operations	<u>103,839</u>	<u>106,493</u>	<u>507,196</u>	<u>444,734</u>	<u>—</u>	<u>—</u>	<u>17</u>	<u>17</u>	<u>—</u>	<u>—</u>	<u>611,052</u>	<u>551,244</u>
Other segment information:												
Segment assets	338,390	342,554	547,588	876,154	—	—	17,903	18,090	—	—	903,881	1,236,798
Capital expenditure	<u>1,258</u>	<u>7,179</u>	<u>14,368</u>	<u>197,718</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>15,626</u>	<u>204,897</u>

4. Revenue, other income and gains

An analysis of revenue, other income and gains is as follows:

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Revenue		
Sale of paint products	569,427	501,995
Sale of other goods	35,527	44,058
Gross rental income from investment properties	<u>6,098</u>	<u>5,191</u>
Attributable to continuing operations reported in the consolidated income statement	611,052	551,244
Attributable to discontinued operations:		
Sale of fuel	—	1,839
Sale of marble and granite	<u>—</u>	<u>503</u>
	<u>611,052</u>	<u>553,586</u>
Other income		
Bank interest income	1,681	722
Service fee income	156	1,977
Commission income	7,136	4,579
Income from contracting out a mining right	—	1,327
Government grants received/receivable from Mainland China authorities	3,940	1,920
Others	<u>4,379</u>	<u>2,279</u>
	<u>17,292</u>	<u>12,804</u>
Gains		
Fair value gain on investment properties, net	—	12,503
Gain on partial disposal of a subsidiary	—	2,349
Gain on disposal of associates, net	—	158
Gain on disposal of an available-for-sale investment	15,237	—
Gain on disposal of assets/liabilities of disposal groups classified as held for sale, net	299	—
Gain on subsequent remeasurement of assets of disposal groups classified as held for sale, net	473	—
Write-back of impairment of properties under development	1,450	7,663
Write-back of impairment of deposits and other receivables	1,996	4,754
Write-back of impairment of trade receivables	—	1,547
Write-back of other payables and accruals	149	1,901
Exchange gains, net	<u>1,616</u>	<u>170</u>
	<u>21,220</u>	<u>31,045</u>
Total other income and gains	<u>38,512</u>	<u>43,849</u>

5. **Finance costs**

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Interest on bank loans wholly repayable within five years	5,439	6,109
Interest on other loans	2,090	1,367
Interest on finance leases	<u>44</u>	<u>50</u>
	<u>7,573</u>	<u>7,526</u>

6. **Profit/(loss) before tax**

The Group's profit/(loss) before tax is arrived at after charging:

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Cost of inventories sold	425,492	381,714
Depreciation	13,099	13,026
Loss on disposal of items of property, plant and equipment, net	712	1,358
Loss on disposal of an investment property	102	—
Fair value loss on investment properties, net	1,780	—
Impairment of amounts due from associates	10,233	12,426
Write down of inventories to net realisable value	1,530	1,056
Impairment of trade receivables	1,163	—
Impairment of available-for-sale investments	—	6
Impairment of deposit for purchase of a property	—	10,299
Impairment of other receivables	<u>—</u>	<u>5,598</u>

7. **Tax**

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Group:		
Current - Hong Kong		
Charge for the year	187	193
Overprovision in prior years	(3)	(46)
Current - Elsewhere		
Charge for the year	3,539	2,316
Deferred	<u>(218)</u>	<u>242</u>
	<u>3,505</u>	<u>2,705</u>

The share of tax attributable to associates amounting to HK\$400,000 (2005: HK\$27,000) is included in "Share of profits and losses of associates" on the face of the consolidated income statement.

8. **Dividend**

	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Proposed conditional final - HK1 cent (2005: Nil) per ordinary share	<u>15,395</u>	<u>—</u>

The proposed conditional final dividend, which will be payable in scrip with an option to elect cash, is payable out of the contributed surplus account of the Company and is conditional on the approval of the Company's shareholders, inter alia, (i) the cancellation of the share premium account and the capital redemption reserve account of the Company; and (ii) the transfer of the credit arising from the above cancellation to the contributed surplus account of the Company at the forthcoming annual general meeting.

9. **Earnings/(loss) per share attributable to ordinary equity holders of the parent**

The calculation of basic earnings/(loss) per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent of HK\$18,739,000 (2005: loss of HK\$7,865,000) and the weighted average number of ordinary shares of 1,535,590,000 (2005: 1,532,970,000) in issue during the year.

The calculation of basic earnings/(loss) per share amounts from continuing operations is based on the profit for the year attributable to ordinary equity holders of the parent of HK\$7,158,000 (2005: loss of HK\$4,146,000) and the weighted average number of ordinary shares of 1,535,590,000 (2005: 1,532,970,000) in issue during the year.

A diluted earnings per share amount for the year ended 31 December 2006 has not been disclosed as the exercise price of the Company's outstanding share options are higher than the average market price of the Company's ordinary shares during the year and accordingly, the share options have no dilutive effect.

No diluted loss per share amount is presented for the year ended 31 December 2005 as the effect of the Company's outstanding share options was anti-dilutive.

10. **Trade receivables**

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The Group maintains a defined credit policy and credit periods are usually granted ranging from one to three months to normal customers. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the balance sheet date, based on payment due date and net of impairment, is as follows:

	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within three months	96,081	82,176
Four to six months	4,723	12,399
Over six months	<u>3,903</u>	<u>5,722</u>
	<u>104,707</u>	<u>100,297</u>

11. Trade and bills payables

An aged analysis of the trade and bills payables as at the balance sheet date, based on the invoice date, is as follows:

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Within three months	71,582	41,869
Four to six months	5,207	26,175
Over six months	<u>775</u>	<u>10,060</u>
	<u>77,564</u>	<u>78,104</u>

The trade payables are non-interest-bearing and are normally settled on 90-day terms.

DIVIDEND

The directors have resolved to recommend for the shareholders' approval at the forthcoming annual general meeting to be held on 29 May 2007 the payment of a final dividend of HK1 cent per share for the year ended 31 December 2006 by way of distribution out of the contributed surplus account, subject to the reduction of the share premium account and the capital redemption reserve account being approved by the shareholders at the meeting. The final dividend, if approved, will be paid on or before 6 July 2007 by allotment of new shares with a cash option to the shareholders whose names appear on the Company's register of members on 29 May 2007.

Subject to the Listing Committee of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") granting listing of and permission to deal in the new shares to be issued pursuant to the scrip dividend scheme, new share entitlements will be calculated by reference to the average of the closing prices on the Stock Exchange of the shares of the Company for the five consecutive trading days up to and including 29 May 2007. A circular giving full details of the scrip dividend scheme and a form of election will be sent to the shareholders as soon as practicable.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 23 May 2007 to Tuesday, 29 May 2007, both days inclusive, during which period no transfer of shares will be effected.

CHAIRMAN'S STATEMENT

The Group's results turned into profit this year after undertaking a series of measures to rationalize its operations. The Group's paint operation continued to record an increase in revenue which benefited from the strong economy growth in the PRC. Despite the increase in oil prices resulting in the increase in the cost of related materials, the Group was able to prevent significant increase in production cost through stringent purchasing measures and

rigorously monitoring and improvement of the production process. The Group has also developed and manufactured new paint products, promoted new markets and enhanced its competitiveness. On the other hand, the Group disposed of certain investments during the year and recognised the resulting profits.

RESULTS

Profit attributable to the equity holders of parent company for the year was approximately HK\$18.74 million, as compared to a loss of approximately HK\$7.87 million last year. The paint business contributed an operating profit of approximately HK\$37.28 million, together with the gain on disposals of certain investments and the discontinued operations, the Group's results turned into profit this year.

Revenue for the year amounted to approximately HK\$611.05 million, representing an increase of approximately 10.8% when compared with that of last year. Gross profit increased by approximately 9.5% when compared with that of last year to approximately HK\$185.56 million. The increase was mainly due to the increase in gross profit of paint operations.

OPERATIONS

Paint products

Revenue for the year amounted to approximately HK\$569.43 million, representing an increase of approximately 13.4% when compared with that of last year. The operation focused its business on the PRC market and achieved an increase of approximately 17.7% in revenue over that of 2005. The Group will continue to focus on the PRC market. Operating profit for the year amounted to approximately HK\$37.28 million, representing a decrease of approximately 11.4% when compared with that of last year. This was mainly due to the increase in selling and administrative expenses for the development and promotion of new paint products. During the year, new paint products, namely Flower Odourless All-in-1 Wall Finish, Flower Supreme Jasmine Synthetic Enamel and Giraffe Low Odour NC were launched and well received by the market. The Group has purchased a piece of land in Xinfeng, Guangdong Province, the PRC for future development of the paint operation.

Property investment

Revenue for the year amounted to approximately HK\$6.10 million, representing an increase of approximately 17.5% when compared with that of last year. Operating loss for the year amounted to approximately HK\$11.17 million compared with a loss of approximately HK\$1.74 million last year. This was mainly due to a significant amount of fair value gain on our investment properties was recognised last year but was not recurrent this year. The disposals of the Dalian Project and the Futian Property were completed during the year. Subsequent to the year under review, the Group has entered into a sale and purchase agreement with an independent third party to acquire a luxury residential house in "The Vineyard" at a cash consideration of approximately HK\$36.48 million in order to widen its assets base and to achieve a potential good long term capital gain in future.

Others

Iron and steel trading

Revenue for the year amounted to approximately HK\$35.53 million, representing a decrease of approximately 18.1% when compared with that of last year. Despite the decrease in revenue, additional commission income was received during the year. The business continued to make a steady contribution to the Group.

Available-for-sale investments

Cemetery project

The Group has an effective 11.5% interest in the cemetery project situated in Si Hui City, Guangdong Province, the PRC. The principal activities of which are the development, construction, management and operation of a cemetery garden. The main types of products for the cemetery are outdoor grave lots, ordinary columbarium niches and luxury columbarium niches. The site formation of the first 100mu (approximately 66,600m²) of the initial phase together with the construction of entry square, sales and administration building, one of the memorial halls and four grave yards had been completed during the year.

Other investments

The disposal of Shenzhen Huate Packing Co., Ltd. was completed during the year. In addition, the Group has also disposed of its interests in the auction house operation, operation of retail outlets under the brand “Shanghai Tang” and the marble and granite and fuel operations. The resulting gain has been recognised in the accounts. The disposals coincide with the Group’s long term objective to rationalize its structure and also represent a good opportunity to realise its investments at reasonable prices.

OUTLOOK

Looking ahead, we expect that 2007 will be volatile. Persistent high oil prices and the possible slow down of the economy of the United States continue to be risk factors that may hinder the growth of the global economy. On the other hand, the tightening of the safety and environmental protection regulations and the increase in labour costs in the PRC continue to exert operating cost pressure on the Group. The Group focuses on its paint operation. Despite the keen market competition, the Group will continue to strengthen overall sales and costs control to secure a better margin. In order to maintain the high quality standards of our products and to maximize business opportunities, the Group has purchased a piece of land in Xinfeng, Guangdong Province, the PRC for future development of the paint operation. With the continuance of the economy growth in the PRC and the Group’s performance for this year, the Group will continue to leverage on its proven business model in expanding its business operation in the PRC and maximizing returns to shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

Profit attributable to equity holders of the parent company for the year was approximately HK\$18.74 million compared with a loss of approximately HK\$7.87 million last year. Revenue for the year amounted to approximately HK\$611.05 million, representing an increase of approximately 10.8% when compared with that of last year. Gross profit for the year amounted to approximately HK\$185.56 million, representing an increase of approximately 9.5% when compared with that of last year. The increase in gross profit was mainly due to the increase in gross profit of paint operations. Together with gain on disposals of certain investments and the discontinued operations, the Group's results turned into profit this year.

SEGMENT INFORMATION

Business segments

Paint operation continues to be the principal business of the Group with a revenue of approximately HK\$569.43 million accounting for approximately 93.2% of the Group's total revenue. It also represents an increase of approximately 13.4% when compared with that of last year. Segment result for the year amounted to approximately HK\$37.28 million, representing a decrease of approximately 11.4% when compared with that of last year. This was mainly due to the increase in selling and administrative expenses for the development and promotion of new paint products.

Property investment operation reported a revenue of approximately HK\$6.10 million, representing approximately 1.0% of the Group's total revenue. Segment result for the year amounted to a loss of approximately HK\$11.17 million compared with a loss of approximately HK\$1.74 million last year. This was mainly due to significant amount of fair value gain on our investment properties was recognised last year but was not recurrent in this year. Subsequent to the year under review, the Group has acquired a luxury residential house in "The Vineyard" and intends to hold it as a long term investment.

Geographical segments

All of the Group's business is mainly in the PRC and Hong Kong. Revenue from operations in the PRC and Hong Kong amounted to approximately HK\$507.20 million (2005: HK\$444.73 million) and approximately HK\$103.84 million (2005: HK\$106.49 million) respectively.

LIQUIDITY AND FINANCIAL INFORMATION

The Group's business operation is generally financed by its internal funding and bank borrowings. Cash balances amounted to approximately HK\$128.46 million as at 31 December 2006 compared with approximately HK\$96.61 million as at 31 December 2005. Bank and other borrowings (excluding those associated with the assets classified as held for sale) amounted to approximately HK\$73.44 million as at 31 December 2006 compared with approximately HK\$151.36 million as at 31 December 2005. The Group's bank and other

borrowings mainly bear interest at floating rates. Of the Group's total bank and other borrowings as at 31 December 2006, approximately HK\$40.77 million (55.5%) is payable within one year, approximately HK\$6.78 million (9.2%) is payable in the second year, approximately HK\$15.58 million (21.2%) is payable in the third to fifth years and the remaining balance of HK\$10.31 million (14.1%) is payable beyond the fifth year.

The Group's bank and other borrowings were mainly in HK\$ and RMB and hence the risk of currency exposure was insignificant.

Gearing ratio of the Group which is expressed as a percentage of total bank and other borrowings to shareholders' funds was 11.0% as at 31 December 2006 compared with 23.6% as at 31 December 2005. Liquidity ratio of the Group which is expressed as a percentage of current assets to current liabilities was 1.65 times as at 31 December 2006 compared with 1.18 times as at 31 December 2005.

Equity and net asset value

Shareholders' funds of the Group as at 31 December 2006 was approximately HK\$669.77 million compared with approximately HK\$640.11 million as at 31 December 2005. Net asset value per share as at 31 December 2006 was HK\$0.44 compared with HK\$0.42 as at 31 December 2005.

Contingent liabilities

At 31 December 2006, guarantees issued by the Company to bankers to secure general banking facilities granted to various subsidiaries outstanding as at 31 December 2006 amounted to HK\$40.16 million compared with HK\$75.47 million as at 31 December 2005.

Pledge of assets

Land and buildings and investment properties with aggregate net book value of HK\$261.98 million (31 December 2005: HK\$270.49 million) were pledged to banks as collaterals for general banking facilities. At 31 December 2006, total outstanding secured bank and other borrowings amounted to HK\$60.16 million as compared with HK\$134.79 million as at 31 December 2005.

STAFF

The expansion of the paint operation in the PRC raised the Group's staff headcount to 1,147 as at 31 December 2006 (31 December 2005: 1,006). Staff costs (excluding the directors' emoluments) amounted to HK\$81.65 million for the year as compared with HK\$69.85 million last year. The Group has a comprehensive and competitive staff remuneration and benefits system which is formulated on the performance of individual employees. In addition, the Group also provides an attractive staff option scheme.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.

AUDIT COMMITTEE REVIEW

The annual consolidated results of the Group for the year ended 31 December 2006 have been reviewed by the audit committee.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange for the year ended 31 December 2006, except that the non-executive directors are not appointed for a specific term. According to the Company's bye-laws, the non-executive directors are subject to re-election once every three years.

On behalf of the board
Lam Ting Ball, Paul
Chairman

Hong Kong, 16 April 2007

The board of directors of the Company as at the date of this announcement comprises Messrs. Tsui Tsin Tong, Lam Ting Ball, Paul, Tsui Ho Chuen, Philip, Tsui Yam Tong, Terry and Wong Chi Keung, Alvin as executive directors; Messrs. Hung Ting Ho, Richard, Zhang Yulin and Ko Sheung Chi as non-executive directors; and Sir David Akers-Jones, Messrs. Danny T Wong, Chan Wa Shek and Dr. Steven Chow as independent non-executive directors.

Please also refer to the published version of this announcement in China Daily.