



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 2005

The directors of CNT Group Limited (the “Company”) announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2005 and the consolidated balance sheet of the Group as at 31 December 2005 together with comparative amounts for the corresponding period in 2004 as follows:

CONSOLIDATED INCOME STATEMENT

	<i>Notes</i>	2005 HK\$'000	2004 <i>HK\$'000</i> <i>(Restated)</i>
CONTINUING OPERATIONS			
REVENUE	5	551,244	465,135
Cost of sales		<u>(381,714)</u>	<u>(299,069)</u>
Gross profit		169,530	166,066
Other income and gains	5	43,849	9,376
Selling and distribution costs		(76,024)	(86,482)
Administrative expenses		(97,809)	(90,857)
Other expenses		(32,859)	(145,156)
Finance costs	7	(7,526)	(6,622)
Share of profits and losses of associates		<u>396</u>	<u>(3,035)</u>
LOSS BEFORE TAX	6	(443)	(156,710)
Tax	8	<u>(2,705)</u>	<u>(3,791)</u>
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		(3,148)	(160,501)
DISCONTINUED OPERATIONS			
Loss for the year from discontinued operations		<u>(3,719)</u>	<u>(35,132)</u>
LOSS FOR THE YEAR		<u><u>(6,867)</u></u>	<u><u>(195,633)</u></u>

	<i>Notes</i>	2005 HK\$'000	2004 HK\$'000 (Restated)
ATTRIBUTABLE TO:			
Equity holders of the parent		(7,865)	(195,967)
Minority interests		<u>998</u>	<u>334</u>
		<u>(6,867)</u>	<u>(195,633)</u>
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY			
EQUITY HOLDERS OF THE PARENT	9		
Basic			
- For loss for the year		<u>0.51 cents</u>	<u>12.85 cents</u>
- For loss from continuing operations		<u>0.27 cents</u>	<u>10.55 cents</u>
Diluted			
- For loss for the year		<u>N/A</u>	<u>N/A</u>
- For loss from continuing operations		<u>N/A</u>	<u>N/A</u>

CONSOLIDATED BALANCE SHEET

	<i>Notes</i>	2005 HK\$'000	2004 HK\$'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment		225,065	260,587
Investment properties		95,520	82,160
Properties under development		25,000	74,380
Prepaid land premiums		1,546	2,378
Goodwill		—	—
Interests in associates		34,538	61,936
Interest in a jointly-controlled entity		—	—
Available-for-sale equity investments/long term investments		167,087	167,093
Deposit for purchase of a property		46,000	56,299
Long term portion of a mortgage loan receivable		766	808
Deferred tax asset		6	6
Pension scheme asset		<u>890</u>	<u>619</u>
Total non-current assets		<u>596,418</u>	<u>706,266</u>

	<i>Notes</i>	2005 HK\$'000	2004 HK\$'000 (Restated)
CURRENT ASSETS			
Inventories		57,583	75,565
Trade receivables	10	100,297	80,019
Prepayments, deposits and other receivables		30,100	43,139
Equity investment at fair value through profit or loss/short term investment		33	33
Current portion of a mortgage loan receivable		44	51
Tax recoverable		—	680
Cash and cash equivalents		<u>96,612</u>	<u>67,014</u>
		284,669	266,501
Assets of disposal groups classified as held for sale	12	<u>355,711</u>	<u>—</u>
Total current assets		<u>640,380</u>	<u>266,501</u>
CURRENT LIABILITIES			
Trade and bills payables	11	78,104	64,352
Other payables and accruals		85,035	81,173
Interest-bearing bank and other borrowings		112,582	103,991
Tax payable		<u>1,679</u>	<u>—</u>
		277,400	249,516
Liabilities directly associated with the assets classified as held for sale	12	<u>264,735</u>	<u>—</u>
Total current liabilities		<u>542,135</u>	<u>249,516</u>
NET CURRENT ASSETS		<u>98,245</u>	<u>16,985</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		694,663	723,251
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		38,778	29,619
Deferred tax liabilities		9,720	9,469
Other payables		<u>—</u>	<u>32,596</u>
Total non-current liabilities		<u>48,498</u>	<u>71,684</u>
Net assets		<u><u>646,165</u></u>	<u><u>651,567</u></u>

	2005	2004
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i> <i>(Restated)</i>
EQUITY		
Equity attributable to equity holders of the parent		
Issued capital	153,297	153,297
Reserves	<u>486,817</u>	<u>492,968</u>
	640,114	646,265
Minority interests	<u>6,051</u>	<u>5,302</u>
Total equity	<u><u>646,165</u></u>	<u><u>651,567</u></u>

NOTES:

1. BASIS OF PREPARATION

The 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 available-for-sale equity investments and equity investments at fair value through profit or loss, which have been measured at fair value. Disposal groups and non-current assets held for sale are stated at the lower of carrying amount and fair value less cost to sell as further explained in note 12. 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. IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The following new and revised HKFRSs affect the Group and are adopted for the first time for the current year’s financial statements:

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 20	Accounting for Government Grants and Disclosure of Government Assistance
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 31	Interests in Joint Ventures
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share

HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 Amendment	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKAS 40	Investment Property
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations
HKFRS 5	Non-current Assets Held for Sale and Discontinued Operations
HKAS — Int 21	Income Taxes — Recovery of Revalued Non-depreciable Assets
HK — Int 4	Leases — Determination of the Length of Lease Term in respect of Hong Kong Land Leases

The adoption of HKASs 2, 7, 8, 10, 12, 14, 16, 18, 19, 20, 23, 27, 28, 31, 33, 37, 38 and HK— Int 4 has had no material impact on the accounting policies of the Group and the methods of computation in the Group's and the Company's financial statements.

HKAS 1 has affected the presentation of minority interests on the face of the consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity and other disclosures. In addition, in prior years, the Group's share of tax attributable to associates and a jointly-controlled entity was presented as a component of the Group's total tax charge in the consolidated income statement. Upon the adoption of HKAS 1, the Group's share of the post-acquisition results of associates is presented net of the Group's share of tax attributable to associates.

HKAS 21 had no material impact on the Group. As permitted by the transitional provisions of HKAS 21, goodwill arising in a business combination prior to 1 January 2005 and fair value adjustments arising on that acquisition are deemed to be in the currency of the Company. In respect of acquisitions subsequent to 1 January 2005, any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of the assets and liabilities are treated as assets and liabilities of the foreign operation and are translated at the closing rate in accordance with HKAS 21.

HKAS 24 has expanded the definition of related parties and affected the Group's related party disclosures.

The impact of adopting the other HKFRSs is summarised as follows:

(a) HKAS 17 - Leases

In prior years, leasehold land and buildings held for own use were stated at cost or valuation less accumulated depreciation and any impairment losses.

Upon the adoption of HKAS 17, the Group's leasehold interest in land and buildings is separated into leasehold land and buildings. The Group's leasehold land is classified as an operating lease, because the title of the land is not expected to pass to the Group by the end of the lease term, and is reclassified from property, plant and equipment to prepaid land premiums, while buildings continue to be classified as part of property, plant and equipment. Prepaid land premiums for land lease payments under operating leases are initially stated at cost and subsequently amortised on the straight-line basis over the lease term. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

This change in accounting policy has had no effect on the consolidated income statement and accumulated losses. The comparative amounts in the consolidated balance sheet as at 31 December 2004 have been restated to reflect the reclassification of the leasehold land.

(b) HKAS 32 and HKAS 39 — Financial Instruments

In prior years, the Group classified its investments in unlisted equity securities as long term investments, which were held for non-trading purposes and were stated at cost less any impairment losses on an individual basis with gains and losses recognised in the income statement. Upon the adoption of HKAS 39, these securities held by the Group at 1 January 2005 in the amount of HK\$167,093,000 are designated as available-for-sale equity investments under the transitional provisions of HKAS 39 and are stated at cost or fair value if they can be reliably determined.

In prior years, the Group classified its investments in equity securities for trading purposes as short term investments, and were stated at their fair values on an individual basis with gains and losses recognised in the income statement. Upon the adoption of HKAS 39, the equity security held by the Group at 1 January 2005 in the amount of HK\$33,000 is designated as equity investment at fair value through profit or loss under the transitional provisions of HKAS 39 and accordingly is stated at fair value with gains or losses being recognised in the income statement.

The adoption of HKAS 39 has not resulted in any change in the measurement of these equity securities. Comparative amounts have been reclassified for presentation purposes.

(c) HKAS 40 — Investment Property

In prior years, changes in the fair values of investment properties were dealt with as movements in the investment property revaluation reserve. If the total of this reserve was insufficient to cover a deficit, on a portfolio basis, the excess of the deficit was charged to the income statement. Any subsequent revaluation surplus was credited to the income statement to the extent of the deficit previously charged.

Upon the adoption of HKAS 40, gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

This change in accounting policy has had no effect on the consolidated income statement and accumulated losses.

(d) HKFRS 2 — Share-based Payment

In prior years, no recognition and measurement of share-based payment transactions in which employees (including directors) were granted share options over shares in the Company were required until such options were exercised by employees, at which time the share capital and share premium were credited with the proceeds received.

Upon the adoption of HKFRS 2, when employees (including directors) render services as consideration for equity instruments (“equity-settled transactions”), the cost of the equity-settled transactions with employees is measured by reference to the fair value at the date at which the instruments are granted.

The main impact of HKFRS 2 on the Group is the recognition of the cost of these transactions and a corresponding entry to equity for employee share options.

The Group has adopted the transitional provisions of HKFRS 2 under which the new measurement policies have not been applied to (i) options granted to employees on or before 7 November 2002; and (ii) options granted to employees after 7 November 2002 but which had vested before 1 January 2005.

As the Group did not have any employee share options which were granted during the period from 7 November 2002 to 31 December 2004, the adoption of HKFRS 2 has had no impact on the accumulated losses as at 31 December 2003 and at 31 December 2004.

(e) HKFRS 3 — Business Combinations and HKAS 36 — Impairment of Assets

In prior years, goodwill arising on acquisitions prior to 1 January 2001 was eliminated against consolidated reserves in the year of acquisition and was not recognised in the income statement until disposal or impairment of the acquired business.

Goodwill arising on acquisitions on or after 1 January 2001 was capitalised and amortised on the straight-line basis over its estimated useful life and was subject to impairment testing when there was any indication of impairment.

The adoption of HKFRS 3 and HKAS 36 has resulted in the Group ceasing annual goodwill amortisation and commencing testing for impairment at the cash-generating unit level annually (or more frequently if events or changes in circumstances indicate that the carrying value may be impaired).

The transitional provisions of HKFRS 3 have required the Group to eliminate at 1 January 2005 the carrying amounts of accumulated amortisation with a corresponding adjustment to the cost of goodwill. Goodwill previously eliminated against consolidated reserves remains eliminated against consolidated reserves and is not recognised in the income statement when all or part of the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

The adoption of HKFRS 3 has no financial impact other than the revised accounting policy for goodwill.

(f) HKFRS 5 — Non-current Assets Held for Sale and Discontinued Operations

The Group has applied HKFRS 5 prospectively in accordance with the transitional provisions of HKFRS 5, which has resulted in a change in accounting policy on the recognition of a discontinued operation. Under the previous SSAP 33 “Discontinuing Operations”, the Group would have recognised a discontinued operation at the earlier of:

- the date the Group entered into a binding sale agreement; and
- the date the board of directors had approved and announced a formal disposal plan.

HKFRS 5 requires a component of the Group to be classified as discontinued when the criteria to be classified as held for sale have been met or when that component of the Group has been disposed of. An item is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. Such a component represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale. The principal impact of this change in accounting policy is that a discontinued operation is recognised by the Group at a later point than it would be under SSAP 33 due to the stricter criteria in HKFRS 5.

(g) HKAS-Int 21 — Income Taxes — Recovery of Revalued Non-depreciable Assets

In prior years, deferred tax arising on the revaluation of investment properties was recognised based on the tax rate that would be applicable upon the sale of the investment properties.

Upon the adoption of HKAS-Int 21, deferred tax arising on the revaluation of the Group’s investment properties is determined depending on whether the properties will be recovered through use or through sale. The Group has determined that its investment properties will be recovered through use, and accordingly the profits tax rate has been applied to the calculation of deferred tax.

The effects of the above changes are summarised in note 3. The change has been adopted retrospectively from the earliest period presented and comparative amounts have been restated.

3. SUMMARY OF IMPACT OF CHANGES IN ACCOUNTING POLICIES

(a) Effect on the consolidated balance sheet

At 1 January 2005 Effect of new policies (Increase/(decrease))	Effect of adopting HKAS 32 [#] and HKAS 39* HKAS - Int 21 [#] Change Deferred tax on HKAS 17 [#] in classification revaluation Prepaid land of equity of investment premiums investments properties HK\$'000 HK\$'000 HK\$'000			Total HK\$'000
Assets				
Property, plant and equipment	(2,378)	—	—	(2,378)
Prepaid land premiums	2,378	—	—	2,378
Available-for-sale equity investments	—	167,093	—	167,093
Long term investments	—	(167,093)	—	(167,093)
Equity investment at fair value through profit or loss	—	33	—	33
Short term investment	—	(33)	—	(33)
				<u>—</u>
Liabilities/equity				
Deferred tax liabilities	—	—	3,128	3,128
Accumulated losses	—	—	(3,128)	<u>(3,128)</u>
				<u>—</u>

* Presentation taken effect prospectively from 1 January 2005

[#] Adjustment/presentation taken effect retrospectively

At 31 December 2005 Effect of new policies (Increase/(decrease))	Effect of adopting				
	HKAS 17 Prepaid land premiums HK\$'000	HKAS 32 and HKAS 39 Change in classification of equity investments HK\$'000	HKFRS 5 Disposal groups classified as held for sale HK\$'000	HKAS - Int 21 Deferred tax on revaluation of investment properties HK\$'000	Total HK\$'000
Assets					
Property, plant and equipment	(2,352)	—	(2,992)	—	(5,344)
Investment properties	—	—	(34,517)	—	(34,517)
Properties under development	—	—	(239,046)	—	(239,046)
Prepaid land premiums	2,352	—	(806)	—	1,546
Interests in associates	—	—	(25,422)	—	(25,422)
Available-for-sale equity investments	—	167,087	—	—	167,087
Long term investments	—	(167,087)	—	—	(167,087)
Equity investment at fair value through profit or loss	—	33	—	—	33
Short term investment	—	(33)	—	—	(33)
Prepayments, deposits and other receivables	—	—	(35,857)	—	(35,857)
Cash and cash equivalents	—	—	(17,071)	—	(17,071)
Assets of disposal groups classified as held for sale	—	—	355,711	—	<u>355,711</u>
					<u>—</u>
Liabilities/equity					
Other payables and accruals	—	—	(168,355)	—	(168,355)
Interest-bearing bank and other borrowings	—	—	(96,000)	—	(96,000)
Tax payable	—	—	(380)	—	(380)
Deferred tax liabilities	—	—	—	3,128	3,128
Liabilities directly associated with the assets classified as held for sale	—	—	264,735	—	264,735
Exchange fluctuation reserve	—	—	(14,030)	—	(14,030)
Exchange fluctuation reserve associated with assets/liabilities of disposal groups classified as held for sale	—	—	14,030	—	14,030
Accumulated losses	—	—	—	(3,128)	<u>(3,128)</u>
					<u>—</u>

(b) **Effect on the balances of equity at 1 January 2004 and 1 January 2005**

The adoption of HKAS - Int 21 - Income Taxes - Recovery of Revalued Non-depreciable Assets has increased the accumulated losses of the Group as at 1 January 2004 and 1 January 2005 by HK\$2,994,000 and HK\$3,128,000 respectively.

(c) **Effect on the consolidated income statement for the year ended 31 December 2005 and 2004**

Effect of new policies	Effect of adopting			Total HK\$'000
	HKAS 1 Share of post- tax profits and losses of associates HK\$'000	HKFRS 5 Discontinued operations HK\$'000	HKAS - Int 21 Deferred tax on revaluation of investment properties HK\$'000	
Year ended 31 December 2005				
Decrease in revenue	—	(2,342)	—	(2,342)
Decrease in cost of sales	—	2,386	—	2,386
Decrease in other income and gains	—	(4,761)	—	(4,761)
Decrease in selling and distribution costs	—	897	—	897
Decrease in administrative expenses	—	5,461	—	5,461
Decrease in other expenses	—	2,078	—	2,078
Increase in loss from discontinued operations	—	(3,719)	—	(3,719)
Decrease in share of profits and losses of associates	(27)	—	—	(27)
Decrease/(increase) in tax	<u>27</u>	<u>—</u>	<u>(251)</u>	<u>(224)</u>
Total increase in loss	<u>—</u>	<u>—</u>	<u>(251)</u>	<u>(251)</u>
Increase in basic loss per share	<u>—</u>	<u>—</u>	<u>0.02 cents</u>	<u>0.02 cents</u>
Year ended 31 December 2004				
Increase in share of profits and losses of associates	50	—	—	50
Increase in tax	<u>(50)</u>	<u>—</u>	<u>(134)</u>	<u>(184)</u>
Total increase in loss	<u>—</u>	<u>—</u>	<u>(134)</u>	<u>(134)</u>
Increase in basic loss per share	<u>—</u>	<u>—</u>	<u>0.01 cents</u>	<u>0.01 cents</u>

4. 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 marble and granite segment engages in the processing and sale of marble and granite;

- (c) 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;
- (d) the fuel segment engages in the manufacturing and trading of fuel; and
- (e) the “others” segment comprises, principally, the trading of steel products, the sale of crushed stone and the trading of marketable securities.

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.

Particulars in respect of discontinued operations are set out in note 12.

(a) **Business segment**

The following tables present revenue, profit/(loss), certain asset and liability, income and expenditure information for the Group’s business segments for years ended 31 December 2005 and 2004.

Year ended 31 December 2005	Continuing operations					Discontinued operations				
	Paint products HK\$’000	Property investment HK\$’000	Others HK\$’000	Eliminations HK\$’000	Total HK\$’000	Marble and granite HK\$’000	Fuel HK\$’000	Eliminations HK\$’000	Total HK\$’000	Consolidated 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	<u>5,622</u>	<u>28,084</u>	<u>9,421</u>	<u>—</u>	<u>43,127</u>	<u>4,761</u>	<u>—</u>	<u>—</u>	<u>4,761</u>	<u>47,888</u>
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					<u>396</u>				<u>—</u>	<u>396</u>
Loss before tax					(443)				(3,719)	(4,162)
Tax					<u>(2,705)</u>				<u>—</u>	<u>(2,705)</u>
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 associates	—	25,372	—	—	25,372	—	—	—	—	25,372
Unallocated assets:										
Interests in associates					9,166				—	9,166
Available-for-sale equity investments/ long term investments					167,087				—	167,087
Assets of disposal groups classified as held for sale					352,142				3,569	355,711
Others					<u>101,466</u>				<u>—</u>	<u>101,466</u>
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 HK\$'000	Property investment HK\$'000	Others HK\$'000	Eliminations HK\$'000	Total HK\$'000	Marble and granite HK\$'000	Fuel HK\$'000	Eliminations HK\$'000	Total HK\$'000	Consolidated 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 assets 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 interests in and provision for amounts due from associates	—	12,000	—	—	12,000	—	—	—	—	12,000
Unallocated amounts					426					426
					<u>12,426</u>					<u>12,426</u>
Provision for inventories	1,056	—	—	—	1,056	—	—	—	—	1,056
Provision for 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 gains on investment properties, net	—	(12,503)	—	—	(12,503)	—	—	—	—	(12,503)
Write-back of provision for bad and doubtful debts	(1,547)	—	—	—	(1,547)	—	—	—	—	(1,547)
Write-back of provision for other receivables	—	(4,754)	—	—	(4,754)	—	—	—	—	(4,754)
	<u>—</u>	<u>(4,754)</u>	<u>—</u>	<u>—</u>	<u>(4,754)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(4,754)</u>
Year ended 31 December 2004	Continuing operations					Discontinued operations				
	Paint products HK\$'000	Property investment HK\$'000	Others HK\$'000	Eliminations HK\$'000	Total HK\$'000 (Restated)	Marble and granite HK\$'000	Fuel HK\$'000	Eliminations HK\$'000	Total HK\$'000	Consolidated HK\$'000 (Restated)
Segment revenue:										
Sales to external customers	417,846	4,367	42,922	—	465,135	5,932	19,306	—	25,238	490,373
Intersegment sales	96	6,759	—	(6,855)	—	—	1,607	(1,607)	—	—
Other income and gains	<u>4,623</u>	<u>215</u>	<u>3,988</u>	<u>—</u>	<u>8,826</u>	<u>6,217</u>	<u>23</u>	<u>—</u>	<u>6,240</u>	<u>15,066</u>
Total	<u>422,565</u>	<u>11,341</u>	<u>46,910</u>	<u>(6,855)</u>	<u>473,961</u>	<u>12,149</u>	<u>20,936</u>	<u>(1,607)</u>	<u>31,478</u>	<u>505,439</u>
Segment results	<u>33,377</u>	<u>(95,553)</u>	<u>(20,308)</u>	<u>6,375</u>	<u>(76,109)</u>	<u>(29,309)</u>	<u>(5,106)</u>	<u>—</u>	<u>(34,415)</u>	<u>(110,524)</u>
Interest income					550				—	550
Unallocated expenses					(71,494)				—	(71,494)
Finance costs					(6,622)				(717)	(7,339)
Share of profits and losses of associates					(3,035)				—	(3,035)
Loss before tax					(156,710)				(35,132)	(191,842)
Tax					(3,791)				—	(3,791)
Loss for the year					<u>(160,501)</u>				<u>(35,132)</u>	<u>(195,633)</u>

Year ended 31 December 2004	Continuing operations					Discontinued operations				Consolidated HK\$'000 (Restated)
	Paint products HK\$'000	Property investment HK\$'000	Others HK\$'000	Eliminations HK\$'000	Total HK\$'000 (Restated)	Marble and granite HK\$'000	Fuel HK\$'000	Eliminations HK\$'000	Total HK\$'000	
Assets and liabilities										
Segment assets	246,044	373,695	15,886	(474)	635,151	30,386	5,212	—	35,598	670,749
Interests in associates	—	33,160	—	—	33,160	—	—	—	—	33,160
Unallocated assets:										
Interests in associates					28,776				—	28,776
Available-for-sale equity investments/long term investments					167,093				—	167,093
Others					72,989				—	72,989
Total assets					<u>937,169</u>				<u>35,598</u>	<u>972,767</u>
Segment liabilities	86,806	42,382	22,640	(474)	151,354	17,462	4,628	—	22,090	173,444
Unallocated liabilities					147,756				—	147,756
Total liabilities					<u>299,110</u>				<u>22,090</u>	<u>321,200</u>
Other segment information:										
Depreciation	8,031	3,279	2,084	—	13,394	6,396	64	—	6,460	19,854
Capital expenditure	8,317	28,185	156	—	36,658	2,005	—	—	2,005	38,663
Amortisation of intangible assets	—	—	1,327	—	1,327	—	—	—	—	1,327
Fair value losses on investment properties, net	—	3,732	—	—	3,732	—	—	—	—	3,732
Impairment of a property under development	—	63,591	—	—	63,591	—	—	—	—	63,591
Impairment of available-for- sale equity investments/long term investments										847
Amortisation of goodwill	—	242	6,997	—	7,239	—	—	—	—	7,239
Impairment of goodwill	—	1,814	—	—	1,814	—	—	—	—	1,814
Impairment of goodwill remaining eliminated against capital reserve										29,454
Provision for amounts due from associates	—	5,200	—	—	5,200	—	—	—	—	5,200
Impairment of items of property, plant and equipment	—	—	8,165	—	8,165	14,654	—	—	14,654	22,819
Provision for inventories	744	—	—	—	744	2,905	—	—	2,905	3,649
Provision for deposit for purchase of a property	—	18,701	—	—	18,701	—	—	—	—	18,701
Provision/(write-back of provision) for bad and doubtful debts	<u>464</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>464</u>	<u>(785)</u>	<u>—</u>	<u>—</u>	<u>(785)</u>	<u>(321)</u>

(b) **Geographical segments**

The following table presents revenue, certain asset and expenditure information for the Group's geographical segments for the years ended 31 December 2005 and 2004.

	Hong Kong		Mainland China		Japan		Others		Eliminations		Consolidated	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	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	106,634	111,844	445,096	359,207	1,839	19,306	17	16	—	—	553,586	490,373
Attributable to a discontinued operations	(141)	(4,990)	(362)	(942)	(1,839)	(19,306)	—	—	—	—	(2,342)	(25,238)
Revenue from continuing operations	<u>106,493</u>	<u>106,854</u>	<u>444,734</u>	<u>358,265</u>	<u>—</u>	<u>—</u>	<u>17</u>	<u>16</u>	<u>—</u>	<u>—</u>	<u>551,244</u>	<u>465,135</u>
Other segment information:												
Segment assets	342,554	335,886	876,154	614,912	—	3,820	18,090	18,149	—	—	1,236,798	972,767
Capital expenditure	<u>7,179</u>	<u>434</u>	<u>197,718</u>	<u>38,229</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>204,897</u>	<u>38,663</u>

5. REVENUE, OTHER INCOME AND GAINS

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

	2005 HK\$'000	2004 HK\$'000 (Restated)
Revenue		
Sale of paint products	501,995	417,846
Sale of other goods	44,058	38,580
Gross rental income from investment properties	5,191	4,367
Proceeds from sale of equity investments at fair value through profit or loss/short term investments	—	4,342
Attributable to continuing operations reported in the consolidated income statement	551,244	465,135
Attributable to discontinued operations		
Sale of fuel	1,839	19,306
Sale of marble and granite	503	5,932
	<u>553,586</u>	<u>490,373</u>
Other income		
Bank interest income	722	550
Service fee income	1,977	3,211
Income from contracting out a mining right	1,327	—
Others	8,778	5,615
	<u>12,804</u>	<u>9,376</u>
Gains		
Fair value gains on investment properties	12,503	—
Gain on partial disposal of a subsidiary	2,349	—
Gain on disposal of associates	158	—
Exchange gains, net	170	—
Write-back of impairment of properties under development	7,663	—
Write-back of provision for other receivables	4,754	—
Write-back of provision for bad and doubtful debts	1,547	—
Write-back of other payable and accruals	1,901	—
	<u>31,045</u>	<u>—</u>
	<u>43,849</u>	<u>9,376</u>

6. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging:

	2005 HK\$'000	2004 HK\$'000 (Restated)
Cost of inventories sold	381,714	299,069
Depreciation	13,026	13,394
Amortisation of intangible assets	—	1,327
Amortisation of goodwill	—	7,239
Impairment of goodwill	—	1,814
Loss on disposal of items of property, plant and equipment	1,358	86
Loss on disposal of investment properties	—	638
Fair value losses on investment properties	—	3,732
Impairment of a property under development	—	63,591
Fair value gain on equity investment at fair value through profit or loss/short term investments	—	(1)
Impairment of goodwill remaining eliminated against capital reserve	—	29,454
Impairment of interests in and provision for amounts due from associates	12,426	5,200
Impairment of items of property, plant and equipment	—	8,165
Impairment of available-for-sale equity investments/long term investments	6	847
Provision for an amount due from a jointly-controlled entity	—	21
Provision for deposit for purchase of a property	10,299	18,701
Provision for bad and doubtful debts	—	464
Foreign exchange differences, net	—	459
Provision for other receivables	<u>5,598</u>	<u>—</u>

7. FINANCE COSTS

	2005 HK\$'000	2004 HK\$'000 (Restated)
Interest on bank loans and overdrafts wholly repayable within five years	6,109	6,351
Interest on other loans	1,367	923
Interest on finance leases	<u>50</u>	<u>65</u>
	<u>7,526</u>	<u>7,339</u>
Attributable to discontinued operations (note 12)	—	717
Attributable to continuing operations reported in the consolidated income statement	<u>7,526</u>	<u>6,622</u>
	<u>7,526</u>	<u>7,339</u>

8. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 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 countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2005 HK\$'000	2004 HK\$'000 (Restated)
Group:		
Current - Hong Kong		
Charge for the year	193	195
Underprovision/(overprovision) in prior years	(46)	17
Current - Elsewhere		
Charge for the year	2,316	3,495
Deferred	<u>242</u>	<u>84</u>
	<u>2,705</u>	<u>3,791</u>

The share of tax attributable to associates amounting to HK\$27,000 (2004: tax credit: HK\$50,000) is included in "Share of profits and losses of associates" on the face of the consolidated income statement.

9. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic loss per share amounts is based on the net loss for the year attributable to ordinary equity holders of the parent of HK\$7,865,000 (2004 (restated): HK\$195,967,000) and the weighted average number of 1,532,970,000 (2004: 1,524,657,000) ordinary shares in issue during the year.

The calculation of basic loss per share amounts from continuing operations is based on the net loss from continuing operations for the year attributable to ordinary equity holders of the parent of HK\$4,146,000 (2004 (restated): HK\$160,835,000) and the weighted average of 1,532,970,000 (2004: 1,524,657,000) ordinary shares in issue during the year.

Diluted loss per share amounts for the years ended 31 December 2005 and 2004 have not been disclosed, as the share options outstanding during these years had anti-dilutive effects on the basic loss per share amounts for these years.

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 the payment due date and net of provisions, is as follows:

	Group	
	2005	2004
	HK\$'000	HK\$'000
Within three months	82,176	68,195
Four to six months	12,399	5,788
Over six months	<u>5,722</u>	<u>6,036</u>
	<u><u>100,297</u></u>	<u><u>80,019</u></u>

11. TRADE AND BILLS PAYABLES

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

	Group	
	2005	2004
	HK\$'000	HK\$'000
Within three months	41,869	51,204
Four to six months	26,175	1,767
Over six months	<u>10,060</u>	<u>11,381</u>
	<u><u>78,104</u></u>	<u><u>64,352</u></u>

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

12. DISCONTINUED OPERATIONS AND ASSETS/LIABILITIES OF DISPOSAL GROUPS HELD FOR SALE

(a) Discontinued operations

On 20 April 2005, the board of directors of the Company approved the discontinuance of the marble and granite business and the fuel business, which form separate reporting segments of the Group. The decision to discontinue these businesses is to align with the Group's long term strategy to redirect its resource to focus on its more profitable core paint operations. Major assets of these businesses were disposed of or have ceased to use during the year.

The results from discontinued operations for the years ended 31 December 2005 and 2004 are as follows:

	Marble and granite		Fuel		Total	
	2005	2004	2005	2004	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
REVENUE	503	5,932	1,839	19,306	2,342	25,238
Cost of sales	<u>(303)</u>	<u>(15,573)</u>	<u>(2,083)</u>	<u>(14,038)</u>	<u>(2,386)</u>	<u>(29,611)</u>
Gross profit/(loss)	200	(9,641)	(244)	5,268	(44)	(4,373)
Other income and gains	4,761	6,217	—	23	4,761	6,240
Selling and distribution costs	(39)	(570)	(858)	(4,429)	(897)	(4,999)
Administrative expenses	(4,496)	(10,485)	(965)	(5,391)	(5,461)	(15,876)
Other expenses	(855)	(14,830)	(1,223)	(577)	(2,078)	(15,407)
Finance costs	<u>—</u>	<u>(602)</u>	<u>—</u>	<u>(115)</u>	<u>—</u>	<u>(717)</u>
Loss for the year from discontinued operations	<u>(429)</u>	<u>(29,911)</u>	<u>(3,290)</u>	<u>(5,221)</u>	<u>(3,719)</u>	<u>(35,132)</u>

(b) *Assets/liabilities of disposal groups held for sale*

During the year, the directors resolved to dispose of the following assets or disposal groups:

- (i) On 6 June 2005, the Group entered into a sale and purchase agreement with an independent third party to dispose of the remaining effective 95% equity interest in a subsidiary engaged in property development in Dalian, the PRC. The transaction is scheduled to be completed by the end of 2006. Details of the transaction were also set out in the Company's circular to its shareholders dated 4 July 2005.
- (ii) On 20 December 2005, the Group entered into a principal share transfer agreement with an independent third party (save and except holding of the 53% equity interest in Shenzhen Huate Packing Co., Ltd. ("Shenzhen Huate")) to dispose of its entire 21% equity interest in an associate, Shenzhen Huate. Details of the transaction were also set out in the Company's circular to its shareholders dated 13 March 2006.
- (iii) On 12 December 2005, the Group entered into a sale and purchase agreement with an independent third party to dispose of a wholly-owned subsidiary which is engaged in property investment in Futian, Shenzhen. The transaction is expected to be completed on or before August 2006. Details of the transaction were also set out in the Company's circular to its shareholders dated 9 January 2006.
- (iv) On 13 September 2005, the Group entered into a sale and purchase agreement with an independent third party to dispose of certain investment properties in Lee Man Commercial Building for a cash consideration of HK\$1,150,000. The transaction is scheduled to be completed by 30 April 2006.
- (v) In April 2006, the Group entered into sale and purchase agreements with independent third parties to dispose of certain machineries and a piece of leasehold land of the discontinued marble and granite business of the Group.

The above assets and associated liabilities, which are expected to be sold within twelve months from 31 December 2005, have been classified as disposal groups held for sale and are presented separately in the balance sheet.

The major classes of assets and liabilities of disposal groups as at 31 December 2005 are as follows:

	<i>HK\$'000</i>
Assets	
Property, plant and equipment	2,992
Investment properties	34,517
Prepaid land premiums	806
Properties under development	239,046
Interests in associates	25,422
Prepayments, deposits and other receivables	35,857
Cash and cash equivalents	<u>17,071</u>
	<u>355,711</u>
Liabilities	
Other payables and accruals	(168,355)
Interest-bearing bank and other borrowings	(96,000)
Tax payable	<u>(380)</u>
	<u>(264,735)</u>
Associated exchange reserve	<u>14,030</u>
Net carrying value directly associated with the disposal groups	<u>105,006</u>

13. COMPARATIVE AMOUNTS

As further explained in notes 2 and 3, due to the adoption of new and revised HKFRSs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year and opening balance adjustments have been made and certain comparative amounts have been reclassified and restated to conform with the current year's presentation and accounting treatment.

DIVIDEND

The directors do not recommend the payment of any dividend for the year ended 31 December 2005 (2004: Nil).

CHAIRMAN'S STATEMENT

2005 was a challenging year for the Group. The persistent high oil price and the increase in interest rates in the United States continued to affect the global economy. However, despite the intense market competition and the increase in raw material costs, the Group's paint operation was still able to achieve an increase in revenue and operating profit by 20.1% and 26.1% respectively to approximately HK\$502.00 million and approximately HK\$42.10 million respectively. On the other hand, the closure of the loss making operations and the disposal of non-core assets enabled the Group to concentrate its effort and resources on its main core paint business which will benefit the Group as a whole in the coming years.

RESULTS

The Group incurred a net loss attributable to the equity holders of the parent company of approximately HK\$7.87 million for the year ended 31 December 2005, as compared to that of approximately HK\$195.97 million last year. The paint business contributed an operating

profit of approximately HK\$42.10 million, together with fair value gains on our investment properties, reduction in losses in our marble and granite operation and quarry operation and lower provision for impairment on our investments, the Group reduced its loss significantly during the year under review.

The Group's revenue from continuing operations for the year amounted to approximately HK\$551.24 million, representing an increase of approximately 18.5% when compared with that of last year. The Group's gross profit from continuing operations increased by approximately 2.1% when compared with that of last year to approximately HK\$169.53 million. The increase was mainly due to the increase in gross profit of paint operation.

CONTINUING OPERATIONS

Paint products

Revenue for the year amounted to approximately HK\$502.00 million, representing an increase of approximately 20.1% when compared with that of last year. Revenue in quantity amounted to approximately 30,000 kl, representing an increase of approximately 25.0% when compared with that of last year. The paint business continued to have a steady growth in the PRC. However, the intense competition within the industry and the increase in raw material costs resulting in gross profit margin fell to approximately 32.5% compared with approximately 38.0% last year. Operating profit for the year amounted to approximately HK\$42.10 million, representing an increase of approximately 26.1% when compared with that of last year. The operation focused its business on the PRC market and achieved an increase of approximately 25.6% in revenue over that of 2004. The Group will continue to focus on the PRC market.

Property investment

Revenue for the year amounted to approximately HK\$5.19 million, representing an increase of approximately 18.9% when compared with that of last year. Operating loss for the year amounted to approximately HK\$1.74 million compared with a loss of approximately HK\$95.55 million last year. This was mainly due to fair value gains on our investment properties and reduction in provision on various properties in the PRC. During the year under review, the Group disposed of the Dalian Project and the Futian Property with completion expected to be in 2006. For details refer to the Company's circulars to shareholders dated 4 July 2005 and 9 January 2006 respectively. For development projects in Hong Kong, the Group accepted the land premium for the proposed land exchange in relation to the Mui Wo Project. The total gross floor area under the project is approximately 2,300 square metres for non-industrial (excluding private residential and godown) purpose.

Others

Iron and steel trading

Revenue for the year amounted to approximately HK\$43.36 million, representing an increase of approximately 52.3% when compared with that of last year. The business continued to have a steady contribution to the Group.

Quarry

Revenue for the year amounted to approximately HK\$629,000 and operating loss for the year amounted to approximately HK\$1.03 million. The mining licence expired at the end of June 2005 and the operation closed down accordingly.

Long Term Investments

Auction house

The auction house operation continued to record improvements and profit during the year under review. During the year, the operation successfully increased its revenue and will continue to explore new business opportunities.

Environmental project

Although our “W-Tech” technology has a proved environmental effect to enhance engine performance and fuel saving, the public transportation companies in Chongqing and Chengdu showed little enthusiasm to have it applied to their fleets for one reason or other. As such, the hard work of the joint-venture company in Chongqing became fruitless, and in view of the uncertainty of the market, management decided to close down the operation.

Other

During the year under review, the Group has entered into an agreement to dispose Shenzhen Huate, an associated company of the Group, completion of which is expected in 2006. The disposal represents a good opportunity for the Group to realise its investment at a reasonable price. For details refer to the Company’s circular to shareholders dated 13 March 2006.

DISCONTINUED OPERATIONS

Marble and granite

Revenue for the year amounted to approximately HK\$503,000, representing a decrease of approximately 91.5% when compared with that of last year. Operating loss for the year amounted to approximately HK\$429,000, representing a decrease of approximately 98.5% when compared with that of last year. The operation has been closed down and its results will no longer have any material impact on the Group.

Fuel

Revenue for the year amounted to approximately HK\$1.84 million, representing a decrease of approximately 90.5% when compared with that of last year. Operating loss for the year amounted to approximately HK\$3.72 million compared with a loss of approximately HK\$5.11 million last year. All the fuel had been sold and the operation had been closed down during the year under review.

OUTLOOK

Looking ahead, 2006 will still be a challenging year for the Group. The global business environment will continue to be affected by the persistent high oil price and the increase in interest rates in the United States. On the other hand, the safety and environmental protection regulations in the PRC are expected to be tightened which will increase the Group's cost of compliance with those regulations. The Group will continue to focus on its paint operation. Despite the keen competition within the industry, the Group will continue to improve its performance through maintenance of long term relationship with its customers, tightening control on costs, especially raw material costs, and developing new paint products. During the year under review, our paint product under the brand name of "FLOWER" has been awarded "CHINA TOP BRAND". Certain popular paint products under the brand name of "FLOWER" have also been awarded "Hong Kong Green Label". The Group believes that the awards are an affirmation of our paint products and will enhance their popularity and competitiveness from which the Group will benefit.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

The Group incurred a net loss attributable to equity holders of the parent company of approximately HK\$7.87 million for the year compared with that of approximately HK\$195.97 million last year. Revenue from continuing operations for the year amounted to approximately HK\$551.24 million representing an increase of approximately 18.5% when compared with that of last year. Gross profit from continuing operations for the year amounted to approximately HK\$169.53 million, representing an increase of approximately 2.1% when compared with that of last year. The increase in gross profit was mainly due to the increase in gross profit of paint operation. Together with the reduction in loss of marble and granite operation and quarry operation which had been closed down last year and during the year under review respectively, fair value gains on our investment properties and lower provision for impairment on our investments, had resulted in a significant reduction in the Group's loss for the year.

SEGMENT INFORMATION

Business segments — continuing operations

Paint products remained the principal business of the Group with a revenue of approximately HK\$502.00 million, accounting for approximately 91.1% of the Group's total revenue. It also represented an increase of approximately 20.1% when compared with that of last year. Segment result for the year amounted to approximately HK\$42.10 million, representing an increase of approximately 26.1% when compared with that of last year.

Property investment operation reported a revenue of approximately HK\$5.19 million, representing approximately 0.9% of the Group's total revenue. Segment result for the year amounted to a loss of approximately HK\$1.74 million compared with a loss of approximately HK\$95.55 million last year. This was mainly due to fair value gains on our investment

properties and reduction in provision on various properties in the PRC. During the year under review, the Group had disposed certain of its property investments to strengthen its cashflow. The Group accepted the land premium for the proposed land exchange in relation to the Mui Wo Project in Hong Kong.

Business segments — discontinued operations

Marble and granite operation reported a revenue of approximately HK\$503,000. It also represented a decrease of approximately 91.5% when compared with that of last year. Segment result for the year amounted to a loss of approximately HK\$429,000, representing a decrease of approximately 98.5% when compared with that of last year. The Group had closed down the operation.

Fuel operation reported a revenue of approximately HK\$1.84 million. It also represented a decrease of approximately 90.5% when compared with that of last year. Segment result for the year amounted to a loss of approximately HK\$3.72 million, representing a decrease of approximately 27.1% when compared with that of last year. All the fuel had been sold and the operation had been closed down during the year.

Geographical segments

All of the Group's business from continuing operations was mainly in the PRC and Hong Kong. Revenue from continuing operations in the PRC and Hong Kong amounted to approximately HK\$444.73 million (2004: HK\$358.27 million) and approximately HK\$106.49 million (2004: HK\$106.85 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\$96.61 million as at 31 December 2005 compared with approximately HK\$67.01 million as at 31 December 2004. Bank and other borrowings (excluding those associated with the assets classified as held for sale) amounted to approximately HK\$151.36 million as at 31 December 2005 compared with approximately HK\$133.61 million as at 31 December 2004. 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 2005, approximately HK\$112.58 million (74.4%) is payable within one year, approximately HK\$6.57 million (4.3%) is payable in the second year, approximately HK\$17.22 million (11.4%) is payable in the third to fifth years and the remaining balance of HK\$14.99 million (9.9%) is payable beyond the fifth year.

The Group's bank 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 23.6% as at 31 December 2005 compared with 20.7% as at 31 December 2004. Liquidity ratio of the Group which is expressed as a percentage of current assets to current liabilities was 1.18 times as at 31 December 2005 compared with 1.07 times as at 31 December 2004.

Equity and net asset value

Shareholders' funds of the Group as at 31 December 2005 was approximately HK\$640.11 million compared with approximately HK\$646.27 million as at 31 December 2004. Net asset value per share as at 31 December 2005 was HK\$0.42 and basically in line with that as at 31 December 2004.

Contingent liabilities

Guarantee issued by the Company to bankers to secure general banking facilities granted to various subsidiaries outstanding as at 31 December 2005 amounted to approximately HK\$75.47 million compared with approximately HK\$70.62 million as at 31 December 2004.

Pledge of assets

Land and buildings and investment properties with aggregate net book value of approximately HK\$270.49 million (31 December 2004: HK\$233.48 million) were pledged to banks as collaterals for general banking facilities. At 31 December 2005, total outstanding secured bank and other borrowings amounted to approximately HK\$134.79 million as compared with approximately HK\$89.59 million as at 31 December 2004.

Staff

The expansion of the paint operation in the PRC raised the Group's staff headcount to 1,006 as at 31 December 2005 (31 December 2004: 983). Staff costs amounted to approximately HK\$69.85 million for the year under review as compared with approximately HK\$65.58 million last year. The Group has a comprehensive and competitive staff remuneration and benefits system which is formulated on the performance of individual employee. In addition, the Group also provides an attractive staff option scheme.

AUDIT COMMITTEE REVIEW

The audited consolidated results of the Group for the year ended 31 December 2005 have been reviewed by the audit committee.

CORPORATE GOVERNANCE

The Company has complied with the applicable 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 of Hong Kong Limited for the year save as the deviations as disclosed in the interim report for the six months ended 30 June 2005. The Company has established a remuneration committee on 19 April 2006. The full board reviewed and determined the remuneration of the directors for the year.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

RESIGNATION OF DIRECTOR

Mr. Lau Wong Fat resigned for personal reasons as an independent non-executive director of the Company with effect from 19 April 2006. Mr. Lau confirmed that he did not have any disagreement with the directors and there were no circumstances connected with his resignation that need to be brought to the attention of the shareholders of the Company.

The directors would like to express their gratitude to Mr. Lau for his invaluable contribution to the Company during his term of office.

On behalf of the board
Lam Ting Ball, Paul
Chairman

Hong Kong, 19 April 2006

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 and Tsui Yam Tong, Terry as executive directors; Mr. Hung Ting Ho, Richard as non-executive director and Sir David Akers-Jones, Messrs. Li Hui Yan and Danny T Wong as independent non-executive directors.

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