

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.

