

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.