

## RESULTS

The Group incurred a net loss of HK\$198.06 million for the year against a net profit of HK\$6.76 million in 2001. Gross profit increased by 6.8% to HK\$157.34 million (2001: HK\$147.38 million). The loss was mainly attributable to the fall in net profit for paint products, coupled by increased losses of other operations and various provisions made in the current year.

## SEGMENT INFORMATION

### *Business segments*

Paint products remained the principal business of the Group with a turnover of HK\$333.87 million accounting for 81.6% of the total turnover. The fall in profit was mainly due to an increase in selling expenses and the loss of income due to disposal of an associate in the prior year.

Marble and granite operation reported a turnover of HK\$44.90 million, representing 11.0% of the total turnover. Operating loss of HK\$19.26 million was mainly attributable to poor return on project sales and provisions made for stocks and trade receivables. Property investment operation reported a turnover of HK\$2.39 million, representing 0.6% of the total turnover. Fuel manufacturing and trading had a turnover of HK\$15.20 million, representing 3.7% of the total turnover. Operating loss of HK\$11.64 million was due to the significant amount of set up costs incurred. Iron and steel trading operation recorded a turnover of HK\$12.89 million or 3.1% of the total turnover.

### *Geographical segments*

The majority of the Group's business was in Mainland China and Hong Kong accounting for 99.8% of the total turnover. Turnover in Mainland China and Hong Kong amounted to HK\$204.10 million (2001: HK\$201.90 million) and HK\$204.28 million (2001: HK\$167.60 million) respectively.

## LIQUIDITY AND FINANCIAL RESOURCES

The Group's total shareholders' funds decreased to HK\$943.08 million at 31 December 2002 compared to HK\$1,035.80 million at 31 December 2001. The decrease was mainly attributable to the loss incurred and the large amount of provisions made for the year. During the year, the Group repurchased 7.66 million of its shares from the open market at a total consideration of HK\$0.74 million. Net asset value per share at 31 December 2002 fell to HK\$0.62 (2001: HK\$0.68).

**LIQUIDITY AND FINANCIAL RESOURCES** (continued)

At the balance sheet date, cash and cash equivalents amounted to HK\$42.84 million (2001: HK\$111.70 million). Bank and other borrowings amounted to HK\$156.13 million at 31 December 2002 (2001: HK\$122.55 million) of which HK\$75.82 million is payable in 2003, HK\$6.75 million is payable in 2004, HK\$21.94 million is payable between 2005 to 2007 and HK\$51.62 million is payable beyond 2007. Committed borrowing facilities not utilised as at 31 December 2002 amounted to HK\$25.56 million (2001: HK\$92.45 million). Interest rates of the bank loans ranging from 3.5 % to 7.0 % per annum. The Group's borrowings were mainly in HK\$ and RMB and hence the risk of currency exposure was insignificant. Current liabilities were up 50.0% mainly attributable to the significant amounts in marble and granite operation. Relatively, liquidity ratios (current assets/current liabilities) fell to 1.54 times (2001: 2.01 times). The Group's gearing ratio (long term debt/equity) also increased slightly to 8.6% from 8.0 % in 2001.

**STAFF**

The inclusion of marble and granite staff members raised the Group's headcount to 933 at 31 December 2002 (2001: 704). 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. Staff costs amounted to HK\$59.25 million (2001: HK\$52.56 million).

**CONTINGENT LIABILITIES**

At 31 December 2002, the Group issued guarantees of HK\$37.75 million (2001: HK\$50.83 million) to bankers to secure general banking facilities granted to certain associates. Guarantees issued by the Company to bankers to secure general banking facilities granted to various subsidiaries outstanding at the balance sheet amounted to HK\$105.05 million (2001: HK\$85.04 million).

**PLEDGE OF ASSETS**

Land and buildings and investment properties with aggregate net book values of HK\$309.91 million (2001: HK\$318.12 million) were pledged to banks as collaterals for general banking facilities. At 31 December 2002, total outstanding secured bank loans and other borrowings amounted to HK\$150.76 million (2001: HK\$116.90 million).