

RESULTS

The Group incurred a net loss of HK\$173.33 million for the year compared to a net loss of HK\$202.21 million (restated) in 2002. Gross profit decreased by 3.8% to HK\$151.32 million (2002: HK\$157.34 million). The loss was mainly attributable to the fall in operating profit for paint products and the substantial amount of losses in other operations mainly resulted from various provisions and impairments made in the current year.

SEGMENT INFORMATION

Business segments

Paint products remained the principal business of the Group with a turnover of HK\$354.22 million accounting for 72.5% of the total turnover. The fall in profit was mainly due to severe market competition and the impact of SARS.

Marble and granite operation reported turnover of HK\$15.33 million, representing 3.1% of the total turnover. Operating loss of HK\$65.37 million was mainly attributable to poor results on weak economy and provisions made for stock and trade and other receivables.

Property investment operation reported turnover of HK\$2.67 million, showing 0.5% of the total turnover.

Turnover for fuel increased significantly to HK\$86.33 million, accounting for 17.7% of the total turnover. Operating loss of HK\$1.84 million was caused by the adverse impact of new regulations in Japan.

Iron and steel trading operation recorded turnover of HK\$27.30 million or 5.6% of the total turnover.

Geographical segments

The majority of the Group's business was in PRC and Hong Kong representing 82.3% of the total turnover. Turnover in PRC and Hong Kong amounted to HK\$262.15 million (2002: HK\$204.10 million) and HK\$140.31 million (2002: HK\$204.28 million) respectively.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's total shareholders' funds decreased to HK\$811.89 million at 31 December 2003 compared to HK\$933.56 million (restated) at the end of last year. The decrease was entirely attributable to the loss incurred and the large amount of provisions made for the year. During the year, the Group repurchased 4.45 million of its shares from the open market at a total consideration of HK\$0.55 million. Net asset value per share at 31 December 2003 fell to HK\$0.54 (2002: HK\$0.61 as restated).

LIQUIDITY AND FINANCIAL RESOURCES (continued)

The Group's business is generally financed by its internal funding and bank borrowings. At the balance sheet date, cash and cash equivalents amounted to HK\$63.69 million (2002: HK\$42.84 million). Bank and other borrowings amounted to HK\$175.15 million at 31 December 2003 (2002: HK\$156.13 million) of which HK\$101.61 million is payable in 2004, HK\$7.00 million is payable in 2005, HK\$23.30 million is payable between 2006 to 2008 and HK\$43.24 million is payable beyond 2008. Committed borrowing facilities not utilised as at 31 December 2003 amounted to HK\$41.44 million (2002: HK\$25.56 million). Interest rates of the bank loans ranged from 2.375 % to 6.75 % per annum. The Group's borrowings were mainly in HK\$ and RMB and hence the risk of currency exposure was insignificant. Liquidity ratio (current assets/current liabilities) fell to 1.06 times (2002: 1.54 times). The Group's gearing ratio (long term debt/equity) was increased to 10.1% from 9.3 % (restated) in 2002. The Group will improve its non-performing assets to reinforce its balance sheet and cashflow.

STAFF

The inclusion of quarry staff members raised the Group's headcount to 959 at 31 December 2003 (2002: 933). 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\$63.43 million (2002: HK\$59.25 million).

CONTINGENT LIABILITIES

At 31 December 2003, the Group issued guarantees of HK\$25.17 million (2002: HK\$37.75 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\$111.35 million (2002: HK\$105.05 million).

PLEDGE OF ASSETS

Land and buildings, plant and machinery and investment properties with aggregate net book values of HK\$313.79 million (2002: HK\$309.91 million) were pledged to banks as collaterals for general banking facilities. At 31 December 2003, total outstanding secured bank loans and other borrowings amounted to HK\$147.92 million (2002: HK\$150.76 million).