

### RESULTS

The Group incurred a net loss of approximately HK\$195.83 million for the year compared with a net loss of approximately HK\$173.33 million last year. Turnover for the year amounted to approximately HK\$490.37 million which was basically in line with that of last year. Gross profit for the year amounted to approximately HK\$161.69 million, representing an increase of approximately 6.85% when compared with that of last year. The increase in gross profit was mainly due to the increase in gross profit of paint products and the reduction in gross loss of marble and granite operations. However, losses were incurred on other operations and various provisions and impairments on our investments amounted to approximately HK\$146.16 million were made during the year. These accounted for the overall loss of the Group.

### SEGMENT INFORMATION

#### Business segments

Paint products remained the principal business of the Group with a turnover of approximately HK\$417.85 million accounting for approximately 85.21% of the Group's total turnover. It also representing an increase of approximately 17.96% when compared with that of last year. Relatively, the segment result for the year amounted to approximately HK\$33.38 million was basically in line with that of last year. This was mainly due to the increase in raw material costs and severe market competition during the year.

Marble and granite operation reported a turnover of approximately HK\$5.93 million, representing approximately 1.21% of the Group's total turnover. It also represented a decrease of approximately 61.30% when compared with that of last year. Segment result for the year amounted to a loss of approximately HK\$29.31 million, representing a decrease of approximately 69.82% when compared with that of last year. During the year, the Group had decided to close down its operations and leased out its factory and certain plants and machineries in the PRC to generate steady income. Provision for inventories amounted to approximately HK\$2.91 million and provision for plants and machineries amounted to approximately HK\$14.65 million were made during the year.

Property investment operation reported a turnover of approximately HK\$4.37 million, representing approximately 0.89% of the Group's total turnover. Segment result for the year amounted to a loss of approximately HK\$95.55 million compared with a loss of approximately HK\$11.89 million last year. This was mainly due to the provision on various properties in the PRC.

Fuel operation reported a turnover of approximately HK\$19.31 million, representing approximately 3.94% of the Group's total turnover. It also represented a decrease of approximately 77.64% when compared with that of last year. Segment result for the year amounted to a loss of approximately HK\$5.11 million compared with a loss of approximately HK\$1.84 million last year. This was mainly due to the adverse impact of the new regulations in Japan.

**Geographical segments**

The majority of the Group's business was in PRC and Hong Kong representing approximately 96.06% of the Group's total turnover. Turnover in PRC and Hong Kong amounted to approximately HK\$359.21 million (2003: HK\$262.15 million) and approximately HK\$111.84 million (2003: HK\$140.31 million) respectively.

**LIQUIDITY AND FINANCIAL INFORMATION**

The Group's business operation is generally financed by its internal funding and bank borrowings. Cash and cash equivalents amounted to approximately HK\$67.01 million as at 31 December 2004 compared with approximately HK\$63.69 million as at 31 December 2003. Bank borrowings amounted to approximately HK\$132.23 million as at 31 December 2004 compared with approximately HK\$175.15 million as at 31 December 2003. All the Group's bank borrowings bear interest at floating rates. Of the Group's total bank borrowings as at 31 December 2004, approximately HK\$103.59 million (78.34%) is payable within one year, approximately HK\$4.55 million (3.44%) is payable in the second year, approximately HK\$13.89 million (10.50%) is payable in the third to fifth years and the remaining balance of HK\$10.20 million (7.72%) 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 borrowings to shareholders' funds was 20.4% as at 31 December 2004 compared with 21.6% as at 31 December 2003. Liquidity ratio of the Group which is expressed as a percentage of current assets to current liabilities was 1.07 times as at 31 December 2004 compared with 1.06 times as at 31 December 2003.

**Equity and net asset value**

Shareholders' funds of the Group as at 31 December 2004 was approximately HK\$649.39 million compared with approximately HK\$811.89 million as at 31 December 2003. Net asset value per share as at 31 December 2004 was HK\$0.42 compared with HK\$0.54 as at 31 December 2003. The reduction in shareholders' funds and the net asset value per share was mainly due to the loss incurred during the year under review.

**Contingent liabilities**

At 31 December 2004, the Group provided guarantees of HK\$12.58 million compared with HK\$25.17 million as at 31 December 2003 to bankers to secure general banking facilities granted to certain associates. Guarantee issued by the Company to bankers to secure general banking facilities granted to various subsidiaries outstanding as at 31 December 2004 amounted to HK\$70.62 million compared with HK\$111.35 million as at 31 December 2003.

### Pledge of assets

Land and buildings, plant and machinery and investment properties with aggregate net book value of HK\$233.48 million (31 December 2003: HK\$313.79 million) were pledged to banks as collaterals for general banking facilities. At 31 December 2004, total outstanding secured bank borrowings amounted to HK\$88.21 million as compared with HK\$147.92 million as at 31 December 2003.

### Staff

The expansion of the paint operation in the PRC raised the Group's staff headcount to 983 as at 31 December 2004 (31 December 2003: 959). Staff costs amounted to HK\$65.58 million for the year under review as compared with HK\$63.43 million for the 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.