

Review of Operations

The Group continued to be engaged principally in its core business of trading of building materials and engineering equipment. The Group also established a new marble processing factory in the PRC to process and distribute marble products.

For the year 2006, the Group recorded a turnover of HK\$297.6 million with gross profit of HK\$65.7 million (2005: HK\$292.4 million and HK\$58.7 million respectively). The improvement was mainly attributable to the increase in turnover of plumbing fixtures. Gross profit margin improved from 20.1% to 22.1% as a result of the Group's focus on high value added trading and manufacturing activities. Other income increased because of the recovery of bad debts previously written off (HK\$0.9 million) and administration fees collected from an associate (HK\$0.8 million). Operating expenses increased slightly to HK\$65.4 million (2005: HK\$60.5 million) largely because of the increase in salary, depreciation charges of the new factory and lease expenses of the new showroom. The Group also recorded losses of HK\$1.5 million (2005: Nil) on disposal of a subsidiary and a residential property in Shanghai. After taking into account the fair value loss on revaluation of investment properties of HK\$0.8 million (2005: Nil) and the share of loss of HK\$1.8 million (2005: Nil) of an associate, the Group's profit attributable to shareholders for the year was improved to HK\$2.1 million (2005: HK\$1.6 million).

The Group continued to consolidate its market position in Hong Kong and successfully enhanced its coverage in the Mainland and Macau. As a result, the Group's outstanding orders on hand at the year end amounted to HK\$164.6 million, representing an increase of 23% over the end of last year (at December 2005: HK\$133.8 million).

業務回顧

本集團繼續專注經營建築材料及工程設備貿易，另本集團於中國已開設一所加工廠房以加工及分銷雲石產品。

二零零六年，本集團錄得營業額約港幣297,600,000元及總溢利約港幣65,700,000元（二零零五年：分別為約港幣292,400,000元及約港幣58,700,000元）。營業額改善，主要由於衛浴潔具營業額上升所致。由於本集團致力專注於高增值潛力之貿易及製造活動，致使邊際毛利率由20.1%上升至22.1%。其他收入增加，為收回過往已註銷之壞賬約港幣900,000元及向聯營公司收取行政費用約港幣800,000元所致。營運開支微升至約港幣65,400,000元（二零零五年：約港幣60,500,000元），主要是由於薪金、新廠房之折舊開支及新陳列室之租賃開支增加所致。本集團亦因出售一間附屬公司及上海一所住宅物業而錄得虧損約港幣1,500,000元（二零零五年：無）。經計及重估投資物業之公平值虧損約港幣800,000元（二零零五年：無）及應佔聯營公司虧損約港幣1,800,000元（二零零五年：無）後，本集團於本年度之股東應佔溢利改善至約港幣2,100,000元（二零零五年：約港幣1,600,000元）。

本集團進一步穩固其於香港市場的地位，並成功發展中國及澳門市場，年終之未完成訂單金額為約港幣164,600,000元，較去年年底增加23%（於二零零五年十二月：約港幣133,800,000元）。

Segmental Information

Revenues from the building products business increased 2.3% to HK\$263.8 million (2005: HK\$257.9 million) largely attributable to the higher turnover of plumbing fixtures. This was partly offset by the decrease in construction chemical sales of HK\$10.2 million (the operation was transferred to a new joint venture with Bostik Australia Pty Ltd ("Bostik") in March 2006. The joint venture is reported in the financial statements as an associate of the Group). In line with the increased turnover and improved margin on the trading activities, gross profit improved from HK\$52.0 million to HK\$59.4 million.

The engineering division's turnover of HK\$33.8 million was comparable with the last corresponding period. Gross profit decreased slightly from HK\$6.6 million to HK\$6.3 million. The Group has added to its portfolio certain air distribution products that will enhance air quality and energy efficiency. We expect that these products will enable us to meet the increasing demand for environmental protection equipment.

Capital Commitment

The construction work on the Group's new marble processing factory in DongGuan was completed in August 2006 and the plant was in full operation at the end of the year. There was no material outstanding commitment for the factory as at end of the year.

On 8 March 2006, Arnhold & Company, Limited, a wholly owned subsidiary of the Company, Bostik and Bostik Holding Hong Kong Limited entered into a shareholders agreement in relation to the formation of a joint venture (the "Joint Venture") details of which were disclosed in the Company's circular dated 4 April 2006. We estimate that the Group's obligations to provide a shareholders' loan to the Joint Venture will be approximately HK\$12.5 million of which HK\$7.0 million had been paid or was payable as at the end of the year. The Group expects to finance the funding requirements of this Joint Venture from internal resources and bank credit facilities.

分部資料

建築產品業務之收入上升2.3%至約港幣263,800,000元(二零零五年:約港幣257,900,000元),主要為衛浴潔具營業額增加所致;唯部份增長則被建築用之化學產品銷售下跌約港幣10,200,000元所抵銷(該項業務已於二零零六年三月轉讓予一間與Bostik Australia Pty Ltd(「Bostik」)合資的合營企業,而該合營企業已被視為本集團的聯營公司)。與貿易活動營業額增加及邊際利潤上升的同時,總溢利亦從約港幣52,000,000元增加至約港幣59,400,000元。

工程設備業務部的營業額跟去年同期相約,為約港幣33,800,000元,總溢利從港幣6,600,000元微跌至港幣6,300,000元。本集團亦引入可改善空氣質素及具能源效益的空氣分銷產品,並期望該等產品可滿足市場對環境保護設備不繼增加的需求。

資本承擔

中國東莞市興建之新雲石加工廠房已於二零零六年八月竣工,並於年底全面運作,於年底,本集團並沒有對廠房的重大資本承擔。

於二零零六年三月八日,安利有限公司(本公司之全資附屬公司)、Bostik及Bostik Holding Hong Kong Limited就成立合營公司(「合營公司」)訂立股東協議,有關的詳細資料已於二零零六年四月四日刊發之本公司通函內披露。預期本集團於合營公司應付之股東貸款責任為約港幣12,500,000元,其中約港幣7,000,000元已於年末時支付或應付,並將以內部資源及銀行信貸為該合營公司提供財務需要。

Foreign Exchange Exposure and Financial Hedging

The Group adopts hedging policies for managing its risk exposure to foreign currency fluctuations and forward exchange contracts have been arranged with the Group's principal bankers to mitigate exchange risks. Further information of the forward exchange contracts is disclosed in the notes to the financial statements.

Liquidity and Financial Resources

The Group maintained a healthy balance sheet with no bank borrowing and zero gearing as at year end (at 31 December 2005: Nil). The Group remained conservative in working capital management. As at the end of 2006, cash balances amounted to HK\$52.7 million (at 31 December 2005: HK\$70.4 million). The decline in cash balances was largely caused by the capital expenditure of the marble processing factory in the PRC and the shareholder's loan to the Joint Venture used to build the 40% owned new Bostik factory.

Most of the Group's cash balances are placed in time deposits with reputable financial institutions. The Group will continue its conservative cash flow management policy and expects to meet its future financial requirements through internal resources and bank credit facilities.

Contingent Liabilities

Certain subsidiaries have given undertakings to the banks that they will perform certain contractual non-financial obligations to third parties. In return, the banks have provided performance bonds and letters of guarantee to third parties on behalf of these subsidiaries. As at 31 December 2006, the amount of guarantees outstanding was HK\$3.1 million (at 31 December 2005: HK\$2.4 million).

外匯風險及財務對沖

本集團採納對沖政策以管理外匯波動，並與其主要往來銀行訂定遠期外匯合約以減輕兌換風險。有關遠期外匯合約之其他資料已在財務報表附註中作出披露。

流動資金及財政資源

本集團維持穩健的資產負債狀況，於年終時並無任何銀行借貸，且資本負債比率為零（於二零零五年十二月三十一日：零）。本集團將繼續謹慎管理營運現金。於二零零六年終，現金結餘為約港幣 52,700,000 元（於二零零五年十二月三十一日：約港幣 70,400,000 元）。現金結餘之下降主要為投放於內地新廠房之資本以及給予合營公司的股東貸款以興建本集團持有 40% 權益的廠房所致。

本集團大部份現金結餘均以定期存款形式存於信譽良好之財務機構。本集團將貫徹其審慎流動現金管理政策，並將以內部資源及銀行信貸融資，應付日後財務需要。

或然負債

若干附屬公司曾向銀行承諾會向第三方履行若干非財務性質之合約責任。該等銀行已就此代表有關附屬公司向第三方提供履約保證及擔保書。於二零零六年十二月三十一日，未償還之擔保金額為約港幣 3,100,000 元（於二零零五年十二月三十一日：約港幣 2,400,000 元）。

Banking facilities with assets pledged

A property with net book value of HK\$51.0 million at year ended 31 December 2006 held by a subsidiary of the Group is pledged to a bank to obtain banking facilities.

Employees

At the end of the year, the Group had approximately 395 employees in the Mainland and approximately 116 employees in Hong Kong and Macau. The Group continues to provide remuneration packages and training programmes to employees with reference to prevailing market practices. Under the existing share option scheme of the Group, subject to compliance with the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the directors of the Company were authorised to grant share options to eligible persons as incentives. Details of share options granted are disclosed in the Report of the Directors of this report.

Outlook

The Group has made encouraging strategic progress and invested for future growth opportunities by allocating more resources to Macau, Manufacturing Operations and the Joint Venture. At the same time, we continue to focus on business efficiency enhancement, working capital control and expenses management. All of these initiatives will continue to drive our growth in 2007 and we are optimistic about the future.

以資產作抵押之銀行信貸

一項由本集團旗下附屬公司持有並於年終時之賬面淨值為約港幣51,000,000元之物業，已為取得銀行信貸而抵押予銀行。

僱員

於年終時，本集團在內地僱用約395名僱員及在香港和澳門僱用約116名僱員。本集團繼續參考現行市場慣例為僱員提供整套薪酬福利及培訓計劃。按本集團之現行購股權計劃，在遵守香港聯合交易所有限公司（「聯交所」）證券上市規則（「上市規則」）之規限下，本公司董事獲授權向合資格人士授予購股權以作獎勵。所授出購股權之詳情附載於本報告的董事會報告內。

展望

本集團取得令人鼓舞的策略性進展，並已投放更多資源在澳門、製造業務及合營公司以配合未來增長契機。與此同時，本集團仍繼續專注於提升業務效率、控制營運資金及開支管理，藉此推動二零零七年的增長，本集團對未來感到樂觀。