CNT GROUP LIMITED
(北海集團有限公司)

(Incorporated in Bermuda with limited liability)
(於百慕達註冊成立之有限公司)
(Stock Code 股份代號：701)

Annual Report
2008 年報

CONTENTS

BOARD OF DIRECTORS

Executive Directors

Tsui Tsin Tong (Honorary Chairman)

Lam Ting Ball, Paul (Chairman)

Tsui Ho Chuen, Philip (Executive Deputy Chairman)

Tsui Yam Tong, Terry (Managing Director)

Chong Chi Kwan (Finance Director)

Non-executive Directors

Hung Ting Ho, Richard

Zhang Yulin

Ko Sheung Chi

Independent Non-executive Directors

Sir David Akers-Jones (Deputy Chairman)

Danny T Wong

Chan Wa Shek

Steven Chow

COMPANY SECRETARY

Ma Lai King

ASSISTANT COMPANY SECRETARY

John Charles Ross Collis

AUDITORS

Ernst & Young

18th Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong

REGISTRARS

Hong Kong

Tricor Tengis Limited

26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong

Bermuda

The Bank of Bermuda Limited

6 Front Street, Hamilton HM 11, Bermuda

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited

DBS Bank (Hong Kong) Limited

REGISTERED OFFICE

Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda

PRINCIPAL OFFICE

31st Floor and Units E & F on 28th Floor, CNT Tower, 338 Hennessy Road, Wanchai, Hong Kong

WEBSITE

www.cntgroup.com.hk

2008 was a challenging year for the Group largely deriving from the outbreak of the U.S. sub-prime mortgage crisis which grew into a global financial crisis. However, despite the difficult business conditions, the Group's revenue for the year amounted to approximately HK$941.82 million, representing an increase of approximately 28.2% when compared with that of last year. The growth was mainly attributable to the increase in revenue by 18.1% to approximately HK$803.41 million from the Group's paint operation as a result of the reinforcement of sales and marketing teams in the PRC.

As a result of the current adverse financial and economic conditions, the Group has recorded a decrease in fair value on our investment properties and properties under development and an impairment on available-for-sale investments this year.

RESULTS

The Group incurred a net loss attributable to the equity holders of the parent company for the year was approximately HK$71.52 million, as compared to a profit of approximately HK$12.30 million last year.

Revenue for the year amounted to approximately HK$941.82 million, representing an increase of approximately 28.2% when compared with that of last year. Gross profit increased by approximately 15.1% when compared with that of last year to approximately HK$251.46 million. The increase was mainly due to the increase in gross profit of paint operation.

OPERATIONS

Paint products

Revenue for the year amounted to approximately HK$803.41 million, representing an increase of approximately 18.1% when compared with that of last year. The operation focused its business on the PRC market and achieved an increase of approximately 20.9% in revenue over that of 2007. The Group will continue to focus on the PRC market. Despite the increase in revenue, operating profit for the year amounted to approximately HK$27.23 million representing a decrease of approximately 20.7% when compared with that of last year. This was mainly due to the increase in selling and distribution costs for the reinforcement of sales and marketing teams in the PRC.

Property investment

Revenue for the year amounted to approximately HK$6.65 million, representing an increase of approximately 19.0% when compared with that of last year. Operating loss for the year amounted to approximately HK$21.81 million compared with a profit of approximately HK$14.80 million last year. The Group has recorded a decrease in fair value of approximately HK$23.30 million on our investment properties and properties under development this year as a result of the downturn of the property markets in Hong Kong.

OPERATIONS (continued)

Iron and steel trading

Revenue for the year amounted to approximately HK$131.76 million, representing an increase of approximately 169.0% when compared with that of last year. Operating profit for the year amounted to approximately HK$1.71 million as compared to a loss of approximately HK$95 thousand last year.

Available-for-sale investments

The Group has an effective interest of 11.7% (2007: 11.5%) in the cemetery project situated in Sihui, Guangdong Province, the PRC, which was acquired at cost of HK$161.13 million. The principal activities of which are the development, construction, management and operation of a cemetery. The main types of products for the cemetery are outdoor grave lots, ordinary columbarium niches and luxury columbarium niches. There are six sales offices established in Hong Kong, Guangzhou, Foshan, Zhaoqing and Sihui for marketing purpose. Promotion campaigns have been launched, including regular tours of the cemetery, blessing ceremonies in the cemetery and participation in the Asia Funeral Expo 2008 in Macau to boost the publicity. Because of the uncertainty of the global economic environment, the Group has made an impairment on available-for-sale investments amounted to approximately HK$43.91 million this year.

OUTLOOK

Looking ahead, 2009 will still be a challenging and volatile year for the Group. The global financial crisis deepened in late 2008 when the world-wide stock markets crashed. The impact was unprecedented in speed and magnitude. In order to minimise the impact and stabilise the economic environment, the Chinese government has taken proactive stimulative measures, such as increase in spending on infrastructure, implementing policies that bolster real estate, automotive and other business sectors, to maintain the long term growth of the economy. The Group expects that local spending momentum will continue and help the PRC economy to maintain a positive GDP growth for 2009. As a result of the Chinese government's measures to stimulate the domestic economy, we believe that our paint operation in the PRC will benefit from steadily growing demand for paint products. In view of enormous growth opportunities in the PRC, the Group is planning to establish a new production plant on our existing land located in Shanghai, the PRC. The construction cost will be financed by the Group's internal resources and bank borrowings. The Group will continue to focus on its paint operation and is committed to becoming a leading manufacturer of high quality green and safe paint products.

Lam Ting Ball, Paul
Chairman
7 April 2009

RESULTS

The Group incurred a net loss attributable to equity holders of the parent company of approximately HK$71.52 million for the year as compared to a profit of approximately HK$12.30 million last year. Revenue for the year amounted to approximately HK$941.82 million, representing an increase of approximately 28.2% when compared with that of last year. Gross profit for the year amounted to approximately HK$251.46 million, representing an increase of approximately 15.1% when compared with that of last year. The increase in gross profit was mainly due to the increase in sales from paint operation. However, the decrease in the fair value on our investment properties and properties under development combined with the impairment loss on available-for-sale investments have resulted in an operating loss in this year.

SEGMENT INFORMATION

Business segments

Paint operation continues to be the principal business of the Group with a revenue of approximately HK$803.41 million accounting for approximately 85.3% of the Group's total revenue. It also represents an increase of approximately 18.1% when compared with that of last year. Despite the increase in revenue and gross profit for the year, segment result for the year amounted to approximately HK$27.23 million representing a decrease of approximately 20.7% when compared with that of last year. This was mainly due to the increase in selling and distribution costs for the reinforcement of sales and marketing teams in the PRC.

Property investment operation reported a revenue of approximately HK$6.65 million, representing approximately 0.7% of the Group's total revenue. Segment result for the year amounted to a loss of approximately HK$21.81 million compared with a profit of approximately HK$14.80 million last year. This was mainly due to the decrease in fair value of approximately HK$23.30 million on our investment properties and properties under development this year.

During the year, the Group has acquired a shop in Mongkok, Kowloon at a consideration of HK$8.80 million. The Group intends to use it as a customer services center for the paint operation and hold it as a long term investment.

Iron and steel operation reported a revenue of approximately HK$131.76 million, representing an increase of approximately 169.0% when compared with that of last year. This was mainly due to the increased demand in iron and steel products in the PRC market.

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$850.39 million (2007: HK$643.62 million) and approximately HK$91.41 million (2007: HK$91.18 million) respectively.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's business operation is generally financed by its internal funding and bank borrowings. Total cash balances amounted to approximately HK$121.77 million as at 31 December 2008 compared with approximately HK$171.30 million as at 31 December 2007. Bank and other borrowings amounted to approximately HK$143.43 million as at 31 December 2008 compared with approximately HK$102.97 million as at 31 December 2007. The Group's bank and other borrowings are mainly interest bearing at floating rates. Of the Group's total bank and other borrowings as at 31 December 2008, approximately HK$82.97 million (57.8%) is payable within one year, approximately HK$10.70 million (7.5%) is payable in the second year, approximately HK$16.37 million (11.4%) is payable in the third to fifth years and the remaining balance of HK$33.39 million (23.3%) is payable beyond the fifth year.

The Group's bank and other borrowings are mainly in HK$ and RMB and hence the risk of currency exposure is insignificant.

Gearing ratio of the Group which is expressed as a percentage of total bank and other borrowings to adjusted capital (as defined below) was 25.2% as at 31 December 2008 compared with 16.5% as at 31 December 2007. Liquidity ratio of the Group which is expressed as a percentage of current assets to current liabilities was 1.34 times as at 31 December 2008 compared with 1.57 times as at 31 December 2007.

Equity and net assets value

Shareholders' funds of the Group as at 31 December 2008 was approximately HK$623.54 million compared with approximately HK$679.88 million as at 31 December 2007. Adjusted capital of the Group, being shareholders' funds less the unrealised leasehold land and building revaluation reserve and investment property revaluation reserve, as at 31 December 2008 was approximately HK$568.25 million compared with approximately HK$624.95 million as at 31 December 2007. Net assets value per share as at 31 December 2008 was HK$0.40 compared with HK$0.43 as at 31 December 2007.

Contingent liabilities

At 31 December 2008, guarantee issued by the Company to bankers to secure general banking facilities granted to various subsidiaries outstanding as at 31 December 2008 amounted to HK$66.89 million compared with HK$74.76 million as at 31 December 2007.

LIQUIDITY AND FINANCIAL RESOURCES (continued)

Pledge of assets

Certain land and buildings, investment properties, trade receivables and cash deposits with aggregate net book value of HK$444.23 million (31 December 2007: HK$408.48 million) were pledged as collaterals for bank and other borrowings. At 31 December 2008, total outstanding secured bank and other borrowings amounted to HK$132.64 million as compared with HK$99.77 million as at 31 December 2007.

STAFF

Headcount as at 31 December 2008 was 1,182 (31 December 2007: 1,095). Staff costs (excluding directors' emoluments) amounted to HK$115.67 million for the year as compared with HK$87.35 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.

CORPORATE GOVERNANCE PRACTICES

The board of directors of the Company recognises the importance of and benefit from good corporate governance practices and has devoted considerable efforts to develop the best corporate governance practices appropriate to the businesses of the Group. During the year ended 31 December 2008, the Company has complied with the code provisions of the Code on Corporate Governance Practices (the "CG Code") issued by The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), except that the non-executive directors are not appointed for a specific term. According to the Company's bye-laws, the non-executive directors are subject to re-election at least once every three years.

THE BOARD

During the year and up to the date of this report, the board comprises the following members:

Executive Directors	:	Tsui Tsin Tong (Honorary Chairman)
		Lam Ting Ball, Paul (Chairman)
		Tsui Ho Chuen, Philip (Executive Deputy Chairman)
		Tsui Yam Tong, Terry (Managing Director)
		Wong Chi Keung, Alvin (Finance Director) *(resigned on 1 September 2008)*
		Chong Chi Kwan (Finance Director) *(appointed on 1 September 2008)*
Non-executive Directors	:	Hung Ting Ho, Richard
		Zhang Yulin
		Ko Sheung Chi
Independent Non-executive Directors	:	Sir David Akers-Jones (Deputy Chairman)
		Danny T Wong
		Chan Wa Shek
		Steven Chow

The biographical details of the directors and the relationships among them are set out in the "Biographies of directors and senior management" on pages 20 to 22.

The role of the Chairman is separate from that of the Managing Director. Their respective responsibilities are clearly established and set out in writing. The Chairman is responsible for ensuring that the board is functioning effectively with good corporate governance practices and procedures; whilst the Managing Director is responsible for managing the Group's businesses including implementation of major strategies and initiatives set by the board.

THE BOARD (continued)

The non-executive directors (the majority of whom are independent) have diversified expertise and experiences. They provide invaluable contribution and independent judgement on issues of strategic development, performance and accountability. The Company currently has four independent non-executive directors which represent one-third of the board and one independent non-executive director possesses appropriate professional accounting qualifications or financial management expertise. The Company has received from each of the independent non-executive directors an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and the Company considers that all independent non-executive directors are independent.

The board has reserved for its decision or consideration matters covering the Group's overall strategy, annual budgets, annual and interim results, major acquisitions and disposals, recommendations on directors' appointment or re-appointment and other significant operational and financial matters. The board has delegated the day-to-day operations of the Group to management under the leadership of the Managing Director.

THE BOARD (continued)

The board meets regularly to discuss and review the Group's overall strategy as well as the operation and financial performance of the Group. During the year, the board held eleven board meetings (of which four were regular meetings) and approved resolutions in writing. The attendance record of each director is set out below:

	Number of board meetings (comprising four regular meetings) attended/held	Number of resolutions in writing in lieu of meeting consented/passed
Executive Directors		
Tsui Tsin Tong	4/11	1/1
Lam Ting Ball, Paul	9/11	1/1
Tsui Ho Chuen, Philip	11/11	1/1
Tsui Yam Tong, Terry	10/11	1/1
Wong Chi Keung, Alvin *(resigned on 1 September 2008)*	4/11	0/1
Chong Chi Kwan *(appointed on 1 September 2008)*	4/11	0/1
Non-executive Directors		
Hung Ting Ho, Richard	3/11	1/1
Zhang Yulin	0/11	1/1
Ko Sheung Chi	2/11	1/1
Independent Non-executive Directors		
Sir David Akers-Jones	4/11	1/1
Danny T Wong	4/11	1/1
Chan Wa Shek	4/11	1/1
Steven Chow	3/11	1/1

Board meetings are scheduled to be held at approximately quarterly intervals and as required by business needs. At least 14 days' notice of a regular board meeting is given to all directors who are given an opportunity to include matters for discussion in the agenda. Agenda and accompanying board papers are sent to all directors at least 3 days before the date of a regular board meeting (and so far as practicable for such other board meetings). Draft and final versions of minutes of regular board meetings are circulated to all directors for their comment and records respectively. All directors are kept informed in a timely manner of major changes that may affect the Group's businesses, including relevant rules and regulations. Written procedures are also in place for the directors to obtain independent professional advice in performing their duties at the expense of the Company in appropriate circumstances.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The board is responsible for the appointment of directors and will take into consideration criteria such as expertise, experience, integrity and commitment of the candidates as recommended by the executive directors when considering new director appointments. During the year, based on the recommendation of the executive directors, the board approved the appointment of Mr. Chong Chi Kwan as finance director by resolutions in writing signed by all directors.

All directors appointed by the board are subject to re-election at the first general meeting after their appointment. Every director (including the non-executive directors) is required to be re-elected at least once every three years at annual general meeting pursuant to the Company's bye-laws.

BOARD COMMITTEES

The board has established the following committees with defined terms of reference (posted on the Company's website), which are of no less exacting terms than those set out in the code provisions of the CG Code: the audit committee and the remuneration committee.

The terms of reference of the audit committee have been updated in February 2009 (posted on the Company's website), to reflect the amendments of the Listing Rules on the CG Code effective 1 January 2009 in respect of the audit committee's oversight role in reviewing the adequacy of staffing of the financial reporting functions.

Audit Committee

During the year, the audit committee consisted of three independent non-executive directors: Sir David Akers-Jones (Chairman), Messrs. Danny T Wong and Chan Wa Shek.

The audit committee met twice during the year to review with the finance director and the external auditors the reporting of financial and other information to the shareholders (including the 2007 annual results and the 2008 interim results before recommending them to the board for approval), the accounting principles and practices adopted by the Group, the effectiveness and objectivity of the audit process and the internal control system of the Group. The audit committee also keeps under review the independence and objectivity of the external auditors and the non-audit services provided by the external auditors to the Group. The attendance record of each committee member is set out below:

Directors	**Number of committee meetings attended/held**
Sir David Akers-Jones (Chairman)	2/2
Danny T Wong	2/2
Chan Wa Shek	2/2

BOARD COMMITTEES (continued)

Remuneration Committee

During the year, the remuneration committee comprised two independent non-executive directors and one executive director: Sir David Akers-Jones (Chairman), Messrs. Lam Ting Ball, Paul and Chan Wa Shek.

The remuneration of the executive directors are determined by the remuneration committee and the remuneration of the non-executive directors are determined by the board on the recommendation of the remuneration committee, by reference to their duties and responsibilities, performance, experiences, time commitment and the market conditions. No director is involved in deciding his own remuneration. During the year, the remuneration committee held one meeting to review and approve the remuneration policy and the remuneration packages of the directors and the adjustment of the housing allowances given to certain executive directors. The attendance record of each committee member is set out below:

Directors	Number of committee meetings attended/held
Sir David Akers-Jones (Chairman)	1/1
Lam Ting Ball, Paul	1/1
Chan Wa Shek	1/1

CODES FOR SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in Appendix 10 to the Listing Rules (the "Model Code"). After specific enquiry by the Company, all directors confirmed they have complied with the required standard set out in the Model Code and the Company's own code during the year ended 31 December 2008 or during the period from the date of appointment to 31 December 2008 (as for the director appointed during 2008).

The Company has also established and adopted the Model Code to regulate dealings in the securities of the Company by certain employees of the Group who are considered to be likely in possession of unpublished price sensitive information in relation to the Company or its securities.

The Company's own codes have been updated to reflect the new requirements of the Model Code effective 1 January 2009 and 1 April 2009 concerning the extension of the "black out" period and other dealing matters.

EXTERNAL AUDITORS' REMUNERATION

In 2008, the remuneration paid/payable to the Company's external auditors, Ernst & Young, is set out below:

Services rendered to the Group	Remuneration
	HK$
Audit services	2,240,000
Non-audit services	157,000
	2,397,000

The non-audit services rendered by the external auditors included: performance of agreed-upon procedures on the Group's 2008 interim results and the audit examination of the Group's occupational retirement schemes.

INTERNAL CONTROL

The board has overall responsibility for maintaining a sound and effective internal control system of the Group. The internal control system is designed to facilitate the effectiveness and efficiency of operations, safeguard assets against unauthorized use and disposition, ensure the maintenance of proper accounting records and the truth and fairness of the financial statements, and ensure compliance with relevant legislation and regulations. The board has conducted a review of the effectiveness of the Group's internal control system during the year with a view to enhance its internal control system.

RESPONSIBILITY STATEMENTS

The directors are responsible for the preparation of financial statements which give a true and fair view. In preparing the financial statements for the year ended 31 December 2008, the directors have selected appropriate accounting policies and applied them consistently, made judgements and estimates that are prudent and reasonable, and have prepared the financial statements on a going concern basis.

The statement of the external auditors of the Company about their reporting responsibilities on the financial statements is set out in the "Independent auditors' report" on pages 32 to 33.

COMMUNICATION WITH SHAREHOLDERS

The Company endeavors to maintain a high level of transparency in communicating with the shareholders. Information in relation to the Group is disseminated to the shareholders in a timely manner through a number of communication channels including interim and annual reports, announcements and circulars.

The 2008 annual general meeting of the Company provided an opportunity for communication between the shareholders and the board, at which the chairmans of the board, the audit committee and the remuneration committee and other board members had attended to answer questions from the shareholders. Details of the rights of the shareholders and the procedures for demanding a poll were included in the circular to the shareholders and explained at the commencement of the meeting. Poll results were announced at the meeting and published on the Company's website after the meeting. A separate resolution was proposed at the meeting on each substantial issue, including the re-election of directors. All the resolutions proposed in 2008 for the shareholders' approval were passed.

On behalf of the board of
CNT GROUP LIMITED

Lam Ting Ball, Paul
Chairman
7 April 2009

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of the principal subsidiaries and associates are set out in notes 18 and 19, respectively, to the financial statements.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2008 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 34 to 138.

The directors do not recommend the payment of any dividend for the year ended 31 December 2008.

MAJOR SUPPLIERS AND CUSTOMERS

In the year under review, purchases from the Group's five largest suppliers accounted for 36% of the total purchases for the year and purchases from the largest supplier included therein amounted to 21%. Sales to the Group's five largest customers accounted for less than 30% of the total sales for the year.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest suppliers.

SUMMARY OF FINANCIAL INFORMATION

The following table summarises the published results, assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate. This summary does not form part of the audited financial statements.

	Year ended 31 December				
	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
CONTINUING OPERATIONS					
Revenue	**941,817**	734,806	611,052	551,244	465,135
Operating profit/(loss)	**(63,815)***	19,094	8,474	(839)	(153,675)
Share of profits and losses of associates	**873**	885	1,936	396	(3,035)
Profit/(loss) before tax	**(62,942)**	19,979	10,410	(443)	(156,710)
Tax	**(8,237)**	(10,976)	(3,505)	(2,705)	(3,791)
Profit/(loss) from continuing operations	**(71,179)**	9,003	6,905	(3,148)	(160,501)
DISCONTINUED OPERATIONS					
Gain on disposal of discontinued operations	**—**	—	11,581	—	—
Loss from discontinued operations	**—**	—	—	(3,719)	(35,132)
Profit/(loss) for the year	**(71,179)**	9,003	18,486	(6,867)	(195,633)
ATTRIBUTABLE TO:					
Equity holders of the parent	**(71,515)**	12,302	18,739	(7,865)	(195,967)
Minority interests	**336**	(3,299)	(253)	998	334
	(71,179)	9,003	18,486	(6,867)	(195,633)
ASSETS, LIABILITIES AND MINORITY INTERESTS					
Total assets	**969,452**	990,761	903,881	1,236,798	972,767
Total liabilities	**(341,718)**	(307,245)	(227,410)	(590,633)	(321,200)
Minority interests	**(4,194)**	(3,632)	(6,699)	(6,051)	(5,302)
	623,540	679,884	669,772	640,114	646,265

* The operating loss for the year ended 31 December 2008 included a decrease in fair value on investment properties and properties under development and an impairment on available-for-sale investments totalling HK$67,212,000.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the year are set out in note 13 to the financial statements.

INVESTMENT PROPERTIES

Details of movements in the investment properties of the Group during the year are set out in note 14 to the financial statements. Further details of the Group's investment properties are set out on page 139.

PROPERTIES UNDER DEVELOPMENT

Details of movements in the properties under development of the Group during the year are set out in note 15 to the financial statements. Further details of the Group's properties under development are set out on page 140.

SHARE CAPITAL

Details of movements in the Company's share capital during the year, together with the reasons therefor, are set out in note 34 to the financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's bye-laws or the laws of Bermuda, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the year.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 35 to the financial statements and the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

At 31 December 2008, the Company had no reserves available for distribution. Under The Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company is distributable to shareholders in certain circumstances, prescribed by Section 54 thereof. In addition, the Company's share premium account may be distributed in the form of fully paid bonus shares.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK$2,195,000.

DIRECTORS

The directors of the Company during the year and up to the date of this report are as follows:

Executive Directors

Tsui Tsin Tong

Lam Ting Ball, Paul

Tsui Ho Chuen, Philip

Tsui Yam Tong, Terry

Wong Chi Keung, Alvin *(resigned on 1 September 2008)*

Chong Chi Kwan *(appointed on 1 September 2008)*

Non-executive Directors

Hung Ting Ho, Richard

Zhang Yulin

Ko Sheung Chi

Independent Non-executive Directors

Sir David Akers-Jones

Danny T Wong

Chan Wa Shek

Steven Chow

In accordance with the Company's bye-laws, Messrs. Lam Ting Ball, Paul and Tsui Yam Tong, Terry, having held office for three years since their last re-election, will offer themselves for re-election at the forthcoming annual general meeting. Messrs. Chong Chi Kwan, Ko Sheung Chi, Chan Wa Shek and Dr. Steven Chow will retire from office at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Directors

Name	Age	Position held	Number of years of service	Business experience
Executive Directors				
Tsui Tsin Tong GBS, LLD, JP Standing Member, National Committee of The Chinese People's Political Consultative Conference	69	Honorary Chairman	24	More than 38 years' experience in the investment and property fields
Lam Ting Ball, Paul	67	Chairman	36	More than 36 years' experience in the paint industry
Tsui Ho Chuen, Philip	45	Executive Deputy Chairman	24	Solicitor
Tsui Yam Tong, Terry	63	Managing Director	22	More than 36 years' experience in administration and management
Chong Chi Kwan	41	Finance Director	3	More than 17 years' experience in auditing, finance and accounting

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Directors (continued)

Name	Age	Position held	Number of years of service	Business experience
Non-executive Directors				
Hung Ting Ho, Richard	55	Non-executive Director	7	More than 31 years' experience in business and financial management
Zhang Yulin	45	Non-executive Director	2	More than 12 years' experience in finance and management
Ko Sheung Chi	52	Non-executive Director	2	More than 28 years' experience in general management
Independent Non-executive Directors				
Sir David Akers-Jones GBM, KBE, CMG, JP	82	Deputy Chairman and Independent Non-executive Director	18	Former Chief Secretary specialising in land planning and housing development
Danny T Wong	63	Independent Non-executive Director	5	More than 34 years' experience in finance, accounting and management
Chan Wa Shek CBE, ISO	78	Independent Non-executive Director	2	Former Commissioner of Correctional Services of Hong Kong
Steven Chow	64	Independent Non-executive Director	2	More than 32 years' experience in finance and management

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Senior management

The businesses of the Group are under the direct responsibility of four directors, namely, Messrs. Tsui Tsin Tong, Lam Ting Ball, Paul, Tsui Ho Chuen, Philip and Tsui Yam Tong, Terry.

Notes:

(1) Mr. Tsui Tsin Tong and Mr. Tsui Yam Tong, Terry are brothers and Mr. Tsui Ho Chuen, Philip is the son of Mr. Tsui Tsin Tong.

(2) Mr. Tsui Yam Tong, Terry is the sole director and shareholder of Rapid Growth Ltd. ("RGL"), a substantial shareholder of the Company.

(3) Mr. Hung Ting Ho, Richard is the chairman and the managing director of Midas International Holdings Limited ("Midas") which is an associated company of Chuang's Consortium International Limited ("Chuang's Consortium"), a shareholder of the Company discloseable under Part XV of the Securities and Futures Ordinance (the "SFO"). He is also a director of a joint venture company engaging in the cemetery business in Si Hui, the PRC which is owned as to 87.5% by Midas and 12.5% by the Company.

(4) Mr. Zhang Yulin is a director and an employee of Broadsino Investment Company Limited ("Broadsino"), which is interested in 6.22% of the issued share capital of the Company.

(5) Mr. Ko Sheung Chi is a director of Profit Stability Investments Limited ("Profit Stability") and the managing director of Chuang's Consortium, all being the shareholders of the Company discloseable under Part XV of the SFO.

DIRECTORS' INTERESTS IN CONTRACTS

None of the directors had a material interest, either direct or indirect, in any significant contract to which the Company or any of its subsidiaries was a party at the balance sheet date or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

Mr. Ko Sheung Chi holds directorships in Chuang's Consortium (a company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange")) and certain private companies (the "Private Companies") which engage in the businesses of property development and investment in Hong Kong and the PRC. As the above-mentioned businesses are managed by separate publicly listed company with independent management and the properties owned by the Private Companies are of different types and/or in different locations from those of the Group, the Group operates its businesses independently of the businesses of the above-mentioned companies. Save as disclosed above, none of the directors of the Company or any of their respective associates have any interests in any businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group that are required to be disclosed pursuant to Rule 8.10 of the Rules Governing the Listing of Securities on the Stock Exchange.

DIRECTORS' SERVICE CONTRACTS

Save as set out below, no director has a service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

(a) On 11 May 2002, a director's service agreement was entered into between the Company and Mr. Lam Ting Ball, Paul for a term of nine years expiring on 2 May 2011. Under the agreement, Mr. Lam is entitled to the payment of a monthly salary of HK$89,000 and an accommodation allowance of not more than HK$70,000 per month. The agreement provides that the Company may terminate the agreement by giving Mr. Lam not less than six months' notice in writing and in the event that the Company shall terminate Mr. Lam's employment, Mr. Lam is entitled to receive a compensation that equals to the total amount of Mr. Lam's remuneration including salary and year-end payment of one month's salary (exclusive of fringe benefits) for the remaining term of his employment.

(b) On 11 May 2002, a director's service agreement was entered into between the Company and Mr. Tsui Yam Tong, Terry for a term of nine years expiring on 2 May 2011. Under the agreement, Mr. Tsui is entitled to the payment of a monthly salary of HK$110,000 and an accommodation allowance of not more than HK$100,000 per month. The agreement provides that the Company may terminate the agreement by giving Mr. Tsui not less than six months' notice in writing and in the event that the Company shall terminate Mr. Tsui's employment, Mr. Tsui is entitled to receive a compensation that equals to the total amount of Mr. Tsui's remuneration including salary and year-end payment of one month's salary (exclusive of fringe benefits) for the remaining term of his employment.

The remuneration of the executive directors are determined by the remuneration committee and the remuneration of the non-executive directors are determined by the board on the recommendation of the remuneration committee, by reference to their duties and responsibilities, performance, experiences, time commitment and the market conditions.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Company's directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2008, the interests of the directors of the Company in the shares and underlying shares of the Company as recorded in the register maintained by the Company pursuant to Section 352 of the SFO were as follows:

(i) Shares

			Number of shares					
Name	Note	Capacity	Personal interests	Family interests	Corporate interests	Other interests	Total	Percentage of issued share capital
Tsui Tsin Tong	1	Beneficial owner & founder of discretionary trust	12,821,769	–	–	346,231,521	359,053,290	22.81%
Tsui Ho Chuen, Philip	1	Beneficial owner & beneficiary of trust	19,681,414	–	–	346,231,521	365,912,935	23.25%
Tsui Yam Tong, Terry	1	Beneficial owner, beneficiary of trust & interest of controlled corporation	1,162,231	–	346,231,521*	346,231,521*	347,393,752	22.07%

* duplication

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

(ii) Underlying shares

Name	Note	**Capacity**	**Nature of equity derivative** (unlisted/physically settled)	**Number of underlying shares**
Tsui Tsin Tong	2	Founder of discretionary trust	option	98,000,000
Tsui Ho Chuen, Philip	2	Beneficiary of trust	option	98,000,000
Tsui Yam Tong, Terry	2	Beneficiary of trust & interest of controlled corporation	option	98,000,000

Notes:

(1) The 346,231,521 shares were held by RGL as trustee of a discretionary trust of which Mr. Tsui Tsin Tong is the founder and Messrs. Tsui Ho Chuen, Philip and Tsui Yam Tong, Terry are the discretionary beneficiaries. Mr. Tsui Yam Tong, Terry is also the sole director and shareholder of RGL.

(2) The 98,000,000 shares were owned by Broadsino. RGL granted an option to Broadsino to sell to RGL all or any part of such shares exercisable at any time during the term of the option. RGL was taken to be interested in these underlying shares under the SFO. By virtue of the interests of Messrs. Tsui Tsin Tong, Tsui Ho Chuen, Philip and Tsui Yam Tong, Terry in RGL as disclosed in note (1) above, each of them was deemed under the SFO to be interested in such underlying shares.

Save as disclosed above, as at 31 December 2008, none of the directors or chief executives of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, or which were recorded in the register required to be kept by the Company under Section 352 of the SFO. Nor any of the directors and the chief executives had any interest in, or had been granted any right to subscribe for the securities of the Company and its associated corporations (within the meaning of Part XV of the SFO) or had exercised any such right during the year under review.

SHARE OPTION SCHEME

The Company's existing share option scheme (the "Scheme") was adopted on 28 June 2002. The key terms of the Scheme are summarised below:

(i) the purposes of the Scheme are to recognise and motivate the participants of the Scheme that made contributions to the Group and to attract and retain high calibre employees of the Group;

(ii) the participants of the Scheme include any employee, director, supplier, customer and securities holder of the Company, its subsidiaries or any entity in which the Group holds an equity interest and any person or entity that provides research, development or other technological support to such companies;

(iii) the total number of shares available for issue under the Scheme is 152,818,819 which represents about 9.71% of the issued share capital of the Company as at the date of this report;

(iv) the total number of shares issued and to be issued upon exercise of the options granted to each participant (including the exercised, cancelled and outstanding options) in any 12-month period must not exceed 1% of the shares in issue unless it is approved by the shareholders in general meeting;

(v) an option may be exercised in accordance with the terms of the Scheme at any time during the period to be notified by the directors to the grantee, but in any event not beyond the 10-year period after the date of grant;

(vi) the subscription price of a share in respect of any option granted shall not be lower than the highest of: (i) the closing price of the shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant; (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheet for the 5 trading days immediately preceding the date of grant; and (iii) the nominal value of the Company's share; and

(vii) the Scheme remains in force until 27 June 2012.

No share option has so far been granted under the Scheme since its adoption.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31 December 2008, the register maintained by the Company under Section 336 of the SFO showed that the following persons (other than the directors of the Company) had interests and short positions in the shares and underlying shares of the Company:

Name	Note	Capacity	Number of shares	Number of underlying shares (unlisted/ physically settled equity derivative)	Percentage of issued share capital
10% or more of issued share capital					
RGL	1	Trustee	346,231,521	—	22.00%
	1	Trustee	—	98,000,000	6.22%
Ho Mei Po, Mabel	2	Interest of spouse	365,912,935	—	23.25%
	2	Interest of spouse	—	98,000,000	6.22%
Wang Wing Mu, Amy	3	Interest of spouse	359,053,290	—	22.81%
	3	Interest of spouse	—	98,000,000	6.22%
Ng Shou Ping, Lucilla	4	Interest of spouse	347,393,752	—	22.07%
	4	Interest of spouse	—	98,000,000	6.22%
Chinaculture.com Limited	5	Beneficial owner	195,500,000	—	12.42%
Chuang's China Investments Limited	5	Interest of controlled corporation	195,500,000	—	12.42%
Profit Stability	5	Interest of controlled corporations	195,500,000	—	12.42%
Chuang's Consortium	5	Interest of controlled corporations	195,500,000	—	12.42%

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO (continued)

Name	Note	Capacity	Number of shares	Number of underlying shares (unlisted/ physically settled equity derivative)	Percentage of issued share capital
Evergain Holdings Limited	5	Interest of controlled corporations	195,500,000	—	12.42%
Chuang (Chong) Shaw Swee, Alan	5	Interest of controlled corporations	195,500,000	—	12.42%
Chong Ho Pik Yu	5	Interest of spouse	195,500,000	—	12.42%
West Avenue Group Company Limited	6	Beneficial owner	173,006,693	—	10.99%
Tsai Wu Chang	6	Interest of controlled corporation	173,006,693	—	10.99%
Below 10% of issued share capital					
Broadsino	7	Beneficial owner	98,000,000	—	6.22%
Golden Case Limited	8	Security interest in shares	80,000,000	—	5.08%
Cheung Kong Investment Company Limited	8	Interest of controlled corporation	80,000,000	—	5.08%
Cheung Kong (Holdings) Limited	8	Interest of controlled corporations	80,000,000	—	5.08%
Li Ka-Shing Unity Trustee Company Limited	8	Trustee	80,000,000	—	5.08%

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO (continued)

Name	Note	Capacity	Number of shares	Number of underlying shares (unlisted/ physically settled equity derivative)	Percentage of issued share capital
Li Ka-Shing Unity Trustee Corporation Limited	8	Trustee & beneficiary of trust	80,000,000	—	5.08%
Li Ka-Shing Unity Trustcorp Limited	8	Trustee & beneficiary of trust	80,000,000	—	5.08%
Li Ka-Shing	8	Interest of controlled corporations & founder of discretionary trusts	80,000,000	—	5.08%

Notes:

(1) The 346,231,521 shares were held by RGL as trustee of a discretionary trust. The interest in 98,000,000 underlying shares was in respect of an option granted by RGL to Broadsino to sell to RGL all or part of such shares owned by Broadsino exercisable at any time during the term of the option. These interests are duplicated in the interests of Messrs. Tsui Tsin Tong, Tsui Ho Chuen, Philip and Tsui Yam Tong, Terry as disclosed under the heading "Directors' interests and short positions in shares, underlying shares and debentures" above.

(2) Ms. Ho Mei Po, Mabel is the wife of Mr. Tsui Ho Chuen, Philip and was taken to be interested in 365,912,935 shares and 98,000,000 underlying shares under an equity derivative in which her spouse was interested under the SFO.

(3) Ms. Wang Wing Mu, Amy is the wife of Mr. Tsui Tsin Tong and was taken to be interested in 359,053,290 shares and 98,000,000 underlying shares under an equity derivative in which her spouse was interested under the SFO.

(4) Ms. Ng Shou Ping, Lucilla is the wife of Mr. Tsui Yam Tong, Terry and was taken to be interested in 347,393,752 shares and 98,000,000 underlying shares under an equity derivative in which her spouse was interested under the SFO.

(5) The references to the 195,500,000 shares relate to the same block of 195,500,000 shares beneficially interested by Chinaculture.com Limited ("Chinaculture").

Chinaculture was a wholly-owned subsidiary of Chuang's China Investments Limited ("Chuang's China"), which in turn was a 61.36% owned subsidiary of Profit Stability. Chuang's Consortium held 100% equity interest in Profit Stability. Evergain Holdings Limited ("Evergain") was interested in 34.86% of the issued share capital of Chuang's Consortium. Mr. Chuang (Chong) Shaw Swee, Alan ("Mr. Chuang") was interested in 100% of the issued share capital of Evergain. Ms. Chong Ho Pik Yu ("Mrs. Chuang") is the wife of Mr. Chuang.

Chuang's China, Profit Stability, Chuang's Consortium, Evergain, Mr. Chuang and Mrs. Chuang were all deemed under the SFO to be interested in these 195,500,000 shares which were owned by Chinaculture.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO (continued)

Notes: (continued)

(6) The 173,006,693 shares were beneficially owned by West Avenue Group Company Limited ("West Avenue"). Mr. Tsai Wu Chang was deemed to be interested in these shares under the SFO by virtue of his interest in the entire equity of West Avenue.

(7) These shares were beneficially owned by Broadsino. Pursuant to an option granted by RGL, Broadsino has a right to sell all or part of these shares to RGL exercisable at any time during the term of the option. This interest is detailed and duplicated with the interests of RGL as shown in note (1) above.

(8) The references to the 80,000,000 shares relate to the same block of 80,000,000 shares interested by Golden Case Limited ("Golden Case") by virtue of a security interest in these shares charged by RGL.

Golden Case was a wholly-owned subsidiary of Cheung Kong Investment Company Limited ("CKI"), which in turn was a wholly-owned subsidiary of Cheung Kong (Holdings) Limited ("CKH").

Li Ka-Shing Unity Trustee Company Limited ("TUT1") as trustee of The Li Ka-Shing Unity Trust, together with certain companies which TUT1 as trustee of The Li Ka-Shing Unity Trust was entitled to exercise or control the exercise of more than one-third of the voting power at their general meetings, held more than one-third of the issued share capital of CKH.

Li Ka-Shing Unity Trustee Corporation Limited ("TDT1") as trustee of The Li Ka-Shing Unity Discretionary Trust ("DT1") and Li Ka-Shing Unity Trustcorp Limited ("TDT2") as trustee of another discretionary trust ("DT2") both held units in The Li Ka-Shing Unity Trust.

Mr. Li Ka-Shing is the settlor of each of DT1 and DT2 and may be regarded as a founder of each of them for the purpose of the SFO. The entire issued share capital of TUT1, TDT1 and TDT2 are owned by Li Ka-Shing Unity Holdings Limited, of which each of Messrs. Li Ka-Shing, Li Tzar Kuoi, Victor and Li Tzar Kai, Richard is interested in one-third of the issued share capital.

CKI, CKH, TUT1, TDT1, TDT2 and Mr. Li Ka-Shing were all deemed to be interested in these 80,000,000 shares which were taken to be interested in by Golden Case under the SFO.

Save as disclosed above, the Company has not been notified by any person (other than the directors of the Company) who had interests or short positions in the shares or underlying shares of the Company as at 31 December 2008 which were required to be disclosed to the Company under Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2008 and up to the date of this report.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the board of
CNT GROUP LIMITED

Lam Ting Ball, Paul
Chairman
7 April 2009

ERNST & YOUNG
安 永

To the shareholders of CNT Group Limited

(Incorporated in Bermuda with limited liability)

We have audited the financial statements of CNT Group Limited set out on pages 34 to 138, which comprise the consolidated and company balance sheets as at 31 December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2008 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
18th Floor, Two International Finance Centre
8 Finance Street
Central
Hong Kong
7 April 2009

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
REVENUE	5	**941,817**	734,806
Cost of sales		**(690,358)**	(516,392)
Gross profit		**251,459**	218,414
Other income and gains	5	**17,576**	28,890
Selling and distribution		**(143,326)**	(110,651)
Administrative expenses		**(112,772)**	(111,180)
Other expenses, net	6	**(70,701)**	(1,284)
Finance costs	7	**(6,051)**	(5,095)
Share of profits and losses of associates		**873**	885
PROFIT/(LOSS) BEFORE TAX	6	**(62,942)**	19,979
Tax	10	**(8,237)**	(10,976)
PROFIT/(LOSS) FOR THE YEAR		**(71,179)**	9,003
ATTRIBUTABLE TO:			
Equity holders of the parent	11	**(71,515)**	12,302
Minority interests		**336**	(3,299)
		(71,179)	9,003
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
Basic		**(HK4.54 cents)**	HK0.79 cents
Diluted		**N/A**	N/A

31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**292,871**	262,225
Investment properties	14	**121,517**	101,700
Properties under development	15	**32,000**	74,000
Prepaid land premiums	16	**21,321**	16,766
Intangible asset	17	**3,000**	—
Interests in associates	19	**3,461**	1,767
Available-for-sale investments	20	**123,163**	167,077
Deposits for purchases of properties	21	**10,976**	6,757
Long term receivable	24	**757**	1,212
Deferred tax asset	32	**—**	6
Net pension scheme assets	22	**2,199**	1,740
Total non-current assets		**611,265**	633,250
CURRENT ASSETS			
Inventories	23	**61,934**	65,901
Trade receivables	24	**159,028**	106,508
Prepayments, deposits and other receivables	25	**13,904**	13,681
Due from an associate	19	**1,523**	—
Equity investment at fair value through profit or loss	26	**31**	119
Pledged deposits	27	**—**	14,238
Cash and cash equivalents	27	**121,767**	157,064
Total current assets		**358,187**	357,511
CURRENT LIABILITIES			
Trade and bills payables	28	**85,249**	104,098
Other payables and accruals	29	**92,052**	78,097
Interest-bearing bank and other borrowings	30	**82,971**	38,195
Tax payable		**6,336**	6,710
Total current liabilities		**266,608**	227,100
NET CURRENT ASSETS		**91,579**	130,411
TOTAL ASSETS LESS CURRENT LIABILITIES		**702,844**	763,661

31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**702,844**	763,661
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	30	**60,461**	64,776
Deferred tax liabilities	32	**9,884**	10,619
Deferred income	33	**4,765**	4,750
Total non-current liabilities		**75,110**	80,145
Net assets		**627,734**	683,516
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	34	**157,367**	157,367
Reserves	35(a)	**466,173**	522,517
		623,540	679,884
Minority interests		**4,194**	3,632
Total equity		**627,734**	683,516

Tsui Tsin Tong
Director

Lam Ting Ball, Paul
Director

	Notes	Issued share capital HK$'000 (note 34)	Share premium account HK$'000 (note 34)	Capital redemption reserve HK$'000	Capital reserve HK$'000 (note 35(a))	Leasehold land and building revaluation reserve HK$'000	Investment property revaluation reserve* HK$'000	General reserve HK$'000 (note 35(a))	Exchange fluctuation reserve HK$'000	Reserve fund** HK$'000	Retained profits/ (accumulated losses) HK$'000	Proposed conditional final dividend HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
		Attributable to equity holders of the parent													
At 1 January 2007		153,947	701,691	6,171	232,773	41,381	13,557	10,144	(5,485)	28,866	(528,668)	15,395	669,772	6,699	676,471
Exchange realignment		–	–	–	–	–	–	–	3,150	–	–	–	3,150	232	3,382
Total income for the year recognised directly in equity		–	–	–	–	–	–	–	3,150	–	–	–	3,150	232	3,382
Profit for the year		–	–	–	–	–	–	–	–	–	12,302	–	12,302	(3,299)	9,003
Total income and expense for the year		–	–	–	–	–	–	–	3,150	–	12,302	–	15,452	(3,067)	12,385
Final 2006 dividend declared^		–	–	–	–	–	–	–	–	–	–	(15,395)	(15,395)	–	(15,395)
Transfer of reserves^	34	–	(701,691)	(6,171)	707,862	–	–	–	–	–	–	–	–	–	–
Set off against accumulated losses of the Company^		–	–	–	(562,958)	–	–	–	–	–	562,958	–	–	–	–
Issue of shares under the Scrip Dividend Scheme^^	34	3,420	6,635	–	–	–	–	–	–	–	–	–	10,055	–	10,055
At 31 December 2007		157,367	6,635#	–#	377,677#	41,381#	13,557#	10,144#	(2,335)#	28,866#	46,592#	–	679,884	3,632	683,516

Year ended 31 December 2008

	Notes	Issued share capital HK$'000 (note 34)	Share premium account HK$'000 (note 34)	Capital redemption reserve HK$'000	Capital reserve HK$'000 (note 35(a))	Leasehold land and building revaluation reserve HK$'000	Investment property revaluation reserve* HK$'000	General reserve HK$'000 (note 35(a))	Exchange fluctuation reserve HK$'000	Reserve fund** HK$'000	Retained profits/ (accumulated losses) HK$'000	Proposed conditional final dividend HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
		Attributable to equity holders of the parent													
At 1 January 2008		157,367	6,635	—	377,677	41,381	13,557	10,144	(2,335)	28,866	46,592	—	679,884	3,632	683,516
Exchange realignment		—	—	—	—	—	—	—	11,962	—	—	—	11,962	224	12,186
Total income for the year recognised directly in equity		—	—	—	—	—	—	—	11,962	—	—	—	11,962	224	12,186
Loss for the year		—	—	—	—	—	—	—	—	—	(71,515)	—	(71,515)	336	(71,179)
Deferred taxation	32	—	—	—	—	351	—	—	—	—	—	—	351	—	351
Disposal of a subsidiary	36	—	—	—	—	—	—	—	2,858	—	—	—	2,858	—	2,858
Total income and expense for the year		—	—	—	—	351	—	—	14,820	—	(71,515)	—	(56,344)	560	(55,784)
Contribution from a minority shareholder		—	—	—	—	—	—	—	—	—	—	—	—	2	2
At 31 December 2008		157,367	6,635#	—#	377,677#	41,732#	13,557#	10,144#	12,485#	28,866#	(24,923)#	—	623,540	4,194	627,734

* *The investment property revaluation reserve represents the attributable revaluation surplus in respect of the leasehold land and buildings, which were reclassified as investment properties in prior years. This revaluation reserve arose while the properties were classified as land and buildings, and therefore is not available to offset subsequent revaluation deficits arising on the investment properties. The revaluation reserve is set off against accumulated losses only upon the disposal or retirement of the relevant assets and such transfer is not made through the income statement.*

** *Pursuant to the relevant laws and regulations for foreign investment enterprises, a portion of the profit of certain subsidiaries of the Group in the People's Republic of China (the "PRC") is required to be transferred to the PRC reserve funds which are restricted as to use. The subsidiaries are not required to effect any further transfer when the amount of the PRC reserve fund reaches 50% of their registered capital. The PRC reserve fund can be used to make good future losses or to increase the capital of the subsidiaries.*

\# *These reserve accounts comprise the consolidated reserves of HK$466,173,000 (2007: HK$522,517,000) in the consolidated balance sheet.*

^ *The reduction of share premium account and capital redemption reserve account, and distribution out of the contributed surplus account of the Company were implemented pursuant to the special/ordinary resolutions of the shareholders of the Company passed on 29 May 2007.*

^^ *On 29 May 2007, the shareholders of the Company approved final dividend of HK1 cent per share for the year ended 31 December 2006 by the allotment of new shares of HK$0.10 each credited as fully paid up with a cash option to the eligible shareholders (the "Scrip Dividend Scheme"). Under the Scrip Dividend Scheme, 34,199,216 ordinary shares were issued during the prior year which resulted in the increase in issued share capital and share premium account of HK$3,420,000 and HK$6,635,000, respectively.*

Year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		**(62,942)**	19,979
Adjustments for:			
Finance costs	7	**6,051**	5,095
Share of profits and losses of associates		**(873)**	(885)
Bank interest income	5	**(1,648)**	(1,775)
Interest income from a long term receivable	5	**(48)**	(72)
Depreciation	13	**18,225**	14,448
Dividend income from an available-for-sale investment	5	**—**	(781)
Recognition of prepaid land premiums	16	**456**	230
Recognition of deferred income	33	**(287)**	(91)
Loss/(gain) on disposal of items of property, plant and equipment, net	5,6	**(316)**	367
Write-off of items of property, plant and equipment	6	**470**	470
Fair value losses/(gains) on investment properties	5,6	**9,051**	(9,600)
Fair value loss/(gain) on an equity investment at fair value through profit or loss - held for trading	5,6	**88**	(68)
Impairment/(write-back of impairment) of a property under development	5,6	**14,247**	(1,177)
Loss/(gain) on disposal of subsidiaries	5,6	**2,837**	(3,146)
Impairment of available-for-sale investments, net	6	**43,914**	10
Write-down/(write-back) of inventories to net realisable value	6	**1,999**	(3,856)
Impairment of trade receivables	6	**2,748**	175
Write-back of impairment of amounts due from an associate	5	**(1,523)**	—
Write-back of impairment of an other receivable	5	**—**	(500)
Write-back of a trade payable	5	**—**	(882)
		32,449	17,941
Decrease/(increase) in inventories		**5,855**	(9,473)
Increase in trade receivables		**(50,071)**	(2,456)
Decrease in prepayments, deposits and other receivables		**241**	3,883
Increase/(decrease) in trade and bills payables		**(24,574)**	27,289
Increase in other payables and accruals		**11,831**	13,179
Increase in deferred income		**—**	5,121
Exchange realignment		**(3,616)**	(161)
Cash generated from/(used in) operations		**(27,885)**	55,323

Year ended 31 December 2008

	Notes	**2008** HK$'000	2007 HK$'000
Cash generated from/(used in) operations		**(27,885)**	55,323
Interest paid		**(5,983)**	(4,944)
Interest element of finance lease rental payments		**(114)**	(84)
Overseas taxes paid		**(9,663)**	(4,747)
Hong Kong profits tax refund/(paid)		**185**	(180)
Net cash inflow/(outflow) from operating activities		**(43,460)**	45,368
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(43,526)**	(47,524)
Proceeds from disposal of items of property, plant and equipment		**627**	463
Additions to properties under development		**(247)**	(23)
Additions to investment properties		**(868)**	—
Investment in an associate		**(250)**	—
Advances to associates	19	**(1,521)**	—
Repayment from an associate		**—**	15,996
Additions to an intangible asset		**(3,000)**	—
Purchase of an equity investment at fair value through profit or loss		**—**	(51)
Proceeds from disposal of subsidiaries	36	**7**	24,946
Repayment of a long term receivable		**455**	—
Contribution from a minority shareholder		**2**	—
Increase in net pension scheme assets		**(459)**	(523)
Interest received		**1,560**	1,847
Dividend received from an associate		**951**	990
Dividend received from an available-for-sale investment		**—**	781
Deposits paid for purchases of properties		**(6,414)**	(6,457)
Additions to prepaid land premiums		**—**	(14,307)
Decrease/(increase) in time deposits with original maturity of more than three months		**7,824**	(7,078)
Net cash outflow from investing activities		**(44,859)**	(30,940)

Year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**76,289**	87,652
Repayment of bank loans		**(34,384)**	(56,231)
Repayment of other loans		**(2,272)**	(5,121)
Dividend paid		**—**	(5,340)
Capital element of finance lease rental payments		**(1,106)**	(794)
Net cash inflow from financing activities		**38,527**	20,166
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(49,792)**	34,594
Cash and cash equivalents at beginning of year		**159,520**	124,056
Effect of foreign exchange rate changes, net		**7,337**	870
CASH AND CASH EQUIVALENTS AT END OF YEAR		**117,065**	159,520
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	27	**105,500**	98,884
Non-pledged time deposits with original maturity of less than three months when acquired	27	**11,565**	53,923
Pledged time deposits with original maturity of less than three months when acquired	27	**—**	6,713
Cash and cash equivalents for the purpose of the consolidated cash flow statement		**117,065**	159,520
Time deposits with original maturity of more than three months	27	**4,702**	11,782
Cash and cash equivalents for the purpose of the consolidated balance sheet		**121,767**	171,302

	Notes	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**276**	237
Interests in subsidiaries	18	**460,537**	558,868
Total non-current assets		**460,813**	559,105
CURRENT ASSETS			
Prepayments, deposits and other receivables	25	**1,200**	596
Cash and cash equivalents	27	**6,004**	8,922
Total current assets		**7,204**	9,518
CURRENT LIABILITIES			
Other payables and accruals	29	**2,976**	4,047
Interest-bearing other borrowings	30	**19**	17
Total current liabilities		**2,995**	4,064
NET CURRENT ASSETS		**4,209**	5,454
TOTAL ASSETS LESS CURRENT LIABILITIES		**465,022**	564,559
NON-CURRENT LIABILITIES			
Interest-bearing other borrowings	30	**15**	34
Net assets		**465,007**	564,525
EQUITY			
Issued capital	34	**157,367**	157,367
Reserves	35(b)	**307,640**	407,158
Total equity		**465,007**	564,525

Tsui Tsin Tong
Director

Lam Ting Ball, Paul
Director

1. CORPORATE INFORMATION

CNT Group Limited is a limited liability company incorporated in Bermuda. The principal place of business of the Company is located at 31st Floor and Units E & F on 28th Floor, CNT Tower, 338 Hennessy Road, Wanchai, Hong Kong.

During the year, the Group was involved in the following principal activities:

- manufacture and sale of paint products
- trading of iron and steel products
- property investment
- property development
- strategic investments

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, certain buildings, certain available-for-sale investments, an equity investment at fair value through profit or loss and net pension scheme assets, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand ("HK$'000") except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2008. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

The acquisition of subsidiaries during the year has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new interpretations and amendments to HKFRSs for the first time for the current year's financial statements.

HKAS 39 and HKFRS 7 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement* and HKFRS 7 *Financial Instruments: Disclosures – Reclassification of Financial Assets*
HK(IFRIC)-Int 11	*HKFRS 2 – Group and Treasury Share Transactions*
HK(IFRIC)-Int 12	*Service Concession Arrangements*
HK(IFRIC)-Int 14	*HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

The principal effects of adopting these new interpretations and amendments to HKFRSs are as follows:

(a) Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement* and HKFRS 7 *Financial Instruments: Disclosures – Reclassification of Financial Assets*

The amendments to HKAS 39 permit an entity to reclassify a non-derivative financial asset classified as held for trading, other than a financial asset designated by an entity as at fair value through profit or loss upon initial recognition, out of the fair value through profit or loss category if the financial asset is no longer held for the purpose of selling or repurchasing in the near term, if specified criteria are met.

A debt instrument that would have met the definition of loans and receivables (if it had not been required to be classified as held for trading at initial recognition) may be classified out of the fair value through profit or loss category or (if it had not been designated as available for sale) may be classified out of the available-for-sale category to the loans and receivables category if the entity has the intention and ability to hold it for the foreseeable future or until maturity.

In rare circumstances, financial assets that are not eligible for classification as loans and receivables may be transferred from the held-for-trading category to the available-for-sale category or to the held to maturity category (in the case of a debt instrument), if the financial asset is no longer held for the purpose of selling or repurchasing in the near term.

The financial asset shall be reclassified at its fair value on the date of reclassification and the fair value of the financial asset on the date of reclassification becomes its new cost or amortised cost, as applicable. The amendments to HKFRS 7 require extensive disclosures of any financial asset reclassified in the situations described above. The amendments are effective from 1 July 2008.

As the Group has not reclassified any of its financial instruments, the amendments have had no impact on the financial position or results of operations of the Group.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

The principal effects of adopting these new interpretations and amendments to HKFRSs are as follows: (continued)

(b) HK(IFRIC)-Int 11 *HKFRS 2 – Group and Treasury Share Transactions*

HK(IFRIC)-Int 11 requires arrangements whereby an employee is granted rights to the Group's equity instruments to be accounted for as an equity-settled scheme, even if the Group buys the instruments from another party, or the shareholders provide the equity instruments needed. HK(IFRIC)-Int 11 also addresses the accounting for share-based payment transactions involving two or more entities within the Group. As the Group currently has no such transactions, the interpretation has had no impact on the financial position or results of operations of the Group.

(c) HK(IFRIC)-Int 12 *Service Concession Arrangements*

HK(IFRIC)-Int 12 applies to service concession operators and explains how to account for obligation undertaken and the rights received in service concession arrangements. No member of the Group is an operator and, therefore, this interpretation has had no impact on the financial position or results of operations of the Group.

(d) HK(IFRIC)-Int 14 *HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

HK(IFRIC)-Int 14 addresses how to assess the limit under HKAS 19 *Employee Benefits*, on the amount of a refund or a reduction in future contributions in relation to a defined benefit scheme that can be recognised as an asset, including situations when a minimum funding requirement exists. The Group has amended its accounting policy accordingly. As the Group's defined benefit scheme is not subject to any minimum funding requirements, the adoption of this interpretation has had no impact on the financial position or results of operations of the Group.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRSs* and HKAS 27 *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* [1]
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Vesting Conditions and Cancellations* [1]
HKFRS 3 (Revised)	*Business Combinations* [2]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments* [1]
HKFRS 8	*Operating Segments* [1]
HKAS 1 (Revised)	*Presentation of Financial Statements* [1]
HKAS 23 (Revised)	*Borrowing Costs* [1]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements* [2]
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation* and HKAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation* [1]
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* [2]
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives* and HKAS 39 *Financial Instruments: Recognition and Measurement – Embedded Derivatives* [5]
HK(IFRIC)-Int 13	*Customer Loyalty Programmes* [3]
HK(IFRIC)-Int 15	*Agreements for the Construction of Real Estate* [1]
HK(IFRIC)-Int 16	*Hedges of a Net Investment in a Foreign Operation* [4]
HK(IFRIC)-Int 17	*Distribution of Non-cash Assets to Owners* [2]
HK(IFRIC)-Int 18	*Transfers of Assets from Customers* [2]

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Apart from the above, the HKICPA has also issued *Improvements to HKFRSs** which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. Except for the amendment to HKFRS 5 which is effective for the annual periods on or after 1 July 2009, other amendments are effective for annual periods beginning on or after 1 January 2009 although there are separate transitional provisions for each standard.

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 July 2009
3 Effective for annual periods beginning on or after 1 July 2008
4 Effective for annual periods beginning on or after 1 October 2008
5 Effective for annual periods ending on or after 30 June 2009
* *Improvements to HKFRSs* contains amendments to HKFRS 5, HKFRS 7, HKAS 1, HKAS 8, HKAS 10, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31,HKAS 34, HKAS 36, HKAS 38, HKAS 39, HKAS 40 and HKAS 41.

The HKAS 27 Amendment requires all dividends from subsidiaries, associates or jointly-controlled entities to be recognised in the income statement in the separate financial statements. The amendment is applied prospectively only. The HKFRS 1 Amendment allows a first-time adopter of HKFRSs to measure its investment in subsidiaries, associates or jointly-controlled entities using a deemed cost of either fair value or the carrying amount under the previous accounting practice in the separate financial statements. The Group expects to adopt the HKAS 27 Amendment from 1 January 2009. The amendments have no impact on the consolidated financial statements. As the Group is not a first-time adopter of HKFRSs, the HKFRS 1 Amendment is not applicable to the Group.

The HKFRS 2 Amendments clarify that vesting conditions are service conditions and performance conditions only. Any other conditions are non-vesting conditions. Where an award does not vest as a result of a failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, this is accounted for as a cancellation. The Group has not entered into share-based payment schemes with non-vesting conditions attached and, therefore, the amendments are unlikely to have any significant implications on its accounting for share-based payments.

HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to HKAS 7 *Statement of Cash Flows*, HKAS 12 *Income Taxes*, HKAS 21 *The Effects of Changes in Foreign Exchange Rates*, HKAS 28 *Investments in Associates* and HKAS 31 *Interests in Joint Ventures*.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

The Group expects to adopt HKFRS 3 (Revised) and HKAS 27 (Revised) from 1 January 2010. The changes introduced by these revised standards must be applied prospectively and will affect future acquisitions, loss of control and transactions with minority interests.

The HKFRS 7 Amendments currently will not be required to provide comparative disclosures in the first year of application. The main change is to add disclosure of any change in the method for determining fair value and the reasons for the change. It also adds disclosure for a three-hierarchy for fair value measurements.

HKFRS 8, which will replace HKAS 14 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group expects to adopt HKFRS 8 from 1 January 2009.

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group expects to adopt HKAS 1 (Revised) from 1 January 2009.

HKAS 23 has been revised to require capitalisation of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. As the Group's current policy for borrowing costs aligns with the requirements of the revised standard, the revised standard is unlikely to have any financial impact on the Group.

The HKAS 32 Amendments provide a limited scope exception for puttable financial instruments and instruments that impose specified obligations arising on liquidation to be classified as equity if they fulfil a number of specified features. HKAS 1 Amendments require disclosure of certain information relating to these puttable financial instruments and obligations classified as equity. As the Group currently has no such financial instruments or obligations, the amendments are unlikely to have any financial impact on the Group.

The amendment to HKAS 39 addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. It clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as hedged item. As the Group has not entered into any such hedges, the amendment is unlikely to have any financial impact on the Group.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Amendments to HKAS 39 and HK(IFRIC)-Int 9 require an entity to assess whether to separate an embedded derivative from a host contract in the case where the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. Such assessment shall be made either when the entity first became party to the contract or when a change in the terms of the contract significantly modifies expected cash flows.

HK(IFRIC)-Int 13 requires that customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted. The consideration received in the sales transaction is allocated between the loyalty award credits and the other components of the sale. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished. As the Group currently has no customer loyalty award scheme, the interpretation is not applicable to the Group and therefore is unlikely to have any financial impact on the Group.

HK(IFRIC)-Int 15 will replace HK Interpretation 3 *Revenue - Pre-completion Contracts for the Sale of Development Properties*. It clarifies when and how an agreement for the construction of real estate should be accounted for as a construction contract in accordance with HKAS 11 *Construction Contracts* or an agreement for the sale of goods or services in accordance with HKAS 18 *Revenue*. As the Group currently is not involved in any construction of real estate, the interpretation is unlikely to have any financial impact on the Group.

HK(IFRIC)-Int 16 provides guidance on the accounting for a hedge of a net investment in a foreign operation. This includes clarification that (i) hedge accounting may be applied only to the foreign exchange differences arising between the functional currencies of the foreign operation and the parent entity; (ii) a hedging instrument may be held by any entities within a group; and (iii) on disposal of a foreign operation, the cumulative gain or loss relating to both the net investment and the hedging instrument that was determined to be an effective hedge should be reclassified to the income statement as a reclassification adjustment. As the Group currently has no hedge of a net investment in a foreign operation, the interpretation is unlikely to have any financial impact on the Group.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

HK(IFRIC)-Int 17 standardises practice in the accounting for non-reciprocal distributions of non-cash assets to owners. The Group expects to apply the interpretation from 1 January 2010 prospectively. The Interpretation clarifies that (i) a dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity; (ii) an entity should measure the dividend payable at the fair value of the net assets to be distributed; and (iii) an entity should recognise the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss. Other consequential amendments were made to HKAS 10 *Events after the Balance Sheet Date* and HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. While the adoption of the interpretation may result in changes in certain accounting policies, the interpretation is unlikely to have any material financial impact on the Group.

HK(IFRIC)-Int 18 provides additional guidance on the accounting for transfers of assets from customers where the entity must then use the assets either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services, or to do both.

In October 2008, the HKICPA issued its first *Improvements to HKFRSs* which sets out amendments to a number of HKFRSs. The Group expects to adopt the amendments from 1 January 2009. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture entity and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Joint ventures (continued)

A joint venture is treated as:

(a) a subsidiary, if the Group/Company has unilateral control, directly or indirectly, over the joint venture;

(b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture company's registered capital and is in a position to exercise significant influence over the joint venture; or

(d) an equity investment accounted for in accordance with HKAS 39, if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates, which was not previously eliminated or recognised in consolidated reserves, is included as part of the Group's interests in associates.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

Goodwill arising on the acquisition of subsidiaries and associates represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill on acquisitions for which the agreement date is on or after 1 January 2005

Goodwill arising on acquisition is initially recognised in the consolidated balance sheet as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. In the case of associates, goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Goodwill previously eliminated against consolidated reserves

Prior to the adoption of the HKICPA's Statement of Standard Accounting Practice 30 *Business Combinations* ("SSAP 30") in 2001, goodwill arising on acquisition was eliminated against consolidated reserves in the year of acquisition. On the adoption of HKFRS 3, such goodwill remains eliminated against consolidated reserves and is not recognised in the income statement when all or part of the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax asset, net pension scheme assets, financial assets, investment properties and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a member of the key management personnel of the Group or its parent;

(d) the party is a close member of the family of any individual referred to in (a) or (c);

(e) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (c) or (d); or

(f) the party is a post-employment benefit plan for the benefit of the employees of the Company/Group, or of any entity that is a related party of the Company/Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost or valuation less accumulated depreciation and any impairment losses. When an item of property, plant and machinery is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each item of property, plant and equipment to its residual value over its estimated useful life.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

The principal annual rates used for this purpose are as follows:

Freehold land	Not depreciated
Freehold buildings and leasehold land and buildings	2% - 4% or over the lease terms, whichever rate is higher
Leasehold improvements	10% - 33% or over the lease terms, whichever rate is higher
Plant and machinery	9% - 25%
Furniture, fixtures and equipment	10% - 33%
Motor vehicles	18% - 25%

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each balance sheet date.

The transitional provisions set out in paragraph 80A of HKAS 16 *Property, Plant and Equipment* have been adopted for fixed assets stated at valuation. As a result, those assets stated at revalued amounts based on revaluations which were reflected in the financial statements for periods ended before 30 September 1995 have not been further revalued after that date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents leasehold improvements on buildings and offices under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and other related expenses incurred during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date.

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell.

Properties under development

Properties under development are stated at cost less impairment losses. Cost includes all development expenditure, capitalised interest and other direct costs attributable to such properties.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (other than goodwill)

The useful life of intangible asset is assessed to be either finite or indefinite. Intangible asset with finite life is amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each balance sheet date.

Technology know-how

The cost of acquiring the right to technology know-how for the manufacturing of certain construction materials is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 50 years.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land premiums under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets

Financial assets in the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Group assesses whether a contract contains an embedded derivative when the Group first becomes a party to it and assesses whether an embedded derivative is required to be separated from the host contract when the analysis shows that the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Gains or losses on investments held for trading are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any dividends on these financial assets, which are recognised in accordance with the policy set out for "Revenue recognition" below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in unlisted equity securities that are designated as available for sale or are not classified in any of the other two categories. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the relevant cumulative gain or loss previously reported in equity is included in the income statement. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognised in the income statement as "Other income" in accordance with the policies set out for "Revenue recognition" below. Losses arising from the impairment of such investments are recognised in the income statement as "Impairment losses on available-for-sale financial assets" and are transferred from the available-for-sale investment revaluation reserve.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and other valuation models.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade and other receivables, an impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor and significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset and is recognised in the income statement. Impairment losses on these assets are not reversed.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, previously reported in equity, is transferred from equity to the income statement. A provision for impairment is made for available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgement. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities at amortised cost (including interest-bearing loans and borrowings)

Financial liabilities including trade and bills payables, other payables, and interest-bearing bank and other borrowings are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised within "Finance costs" in the income statement.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial guarantee contracts

Financial guarantee contracts in the scope of HKAS 39 are accounted for as financial liabilities. A financial guarantee contract is recognised initially at its fair value less transaction costs that are directly attributable to the acquisition or issue of the financial guarantee contract, except when such contract is recognised at fair value through profit or loss. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the balance sheet date and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue*.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of manufacturing overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheets, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) rental income, on a time proportion basis over the lease terms;

(c) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset;

(d) dividend income, when the shareholders' right to receive payment has been established; and

(e) commission income and service fee income, in the period in which the related services are rendered.

Share-based payment transactions

The Company operates share option schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using an appropriate pricing model. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ("market conditions"), if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense recognised for equity-settled transactions at each balance sheet date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payment transactions (continued)

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled transaction, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options, if any, is reflected as additional share dilution in the computation of earnings per share.

The Group has adopted the transitional provisions of HKFRS 2 in respect of equity-settled awards and has applied HKFRS 2 only to equity-settled awards granted after 7 November 2002 that had not vested by 1 January 2005 and to those granted on or after 1 January 2005.

Other employee benefits

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the balance sheet date is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the balance sheet date for the expected future cost of such paid leave earned during the year by the employees and carried forward.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other employee benefits (continued)

Pension schemes and other retirement benefits

The Group operates a funded final salary defined benefit pension scheme (the "Scheme") registered under the Occupational Retirement Schemes Ordinance for those employees who are eligible to participate in the Scheme. The expected costs of providing pensions under the Scheme are charged to the income statement over the periods during which the employees provide the related service to the Group.

An actuarial estimate is made annually by a professionally qualified actuary, using the projected unit credit actuarial valuation method, of the present value of the Group's future defined benefit obligation under the Scheme earned by the employees as at the balance sheet date (the "Scheme Obligation"). The assets contributed by the Group to the Scheme (the "Scheme Assets") are held separately from the assets of the Group in an independently administered fund, and are valued at their fair value at the balance sheet date.

The effect of the actuarial gains and losses experienced in the estimation of the Scheme Obligation and the valuation of the Scheme Assets is initially recorded in the balance sheet and is subsequently recognised in the income statement only when the net cumulative actuarial gain or loss in the balance sheet exceeds 10% of the higher of the Scheme Obligation and the fair value of the Scheme Assets at the beginning of the period. Such "excess" net cumulative actuarial gain or loss is recognised in the income statement over the expected average remaining working lives of the employees participating in the Scheme.

When the Group improves the benefits provided by the Scheme, the effect of the resulting increase in the Scheme Obligation relating to past service by the employees is initially recorded in the balance sheet and is subsequently recognised in the income statement evenly over the period until the benefits vest with the employees.

The net total of the fair value of the Scheme Assets, plus any actuarial losses (less any actuarial gains) not recognised, plus any past service cost not yet recognised and minus the present value of the Scheme Obligation at the balance sheet date is recognised in the balance sheet within non-current assets or non-current liabilities, as appropriate. If the net amount results in net assets, the amount of the net assets is limited to the net total of any net cumulative actuarial losses remaining in the balance sheet, and the present value of any future refunds from the Scheme or reductions in future contributions to the Scheme. Movements in the net assets or liabilities recognised in the balance sheet during the period, other than those deferred in the balance sheet, are recorded in the income statement for the period.

The amounts of the contributions payable by the Group to the Scheme are determined by the actuary using the projected unit credit actuarial valuation method.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other employee benefits (continued)

Pension schemes and other retirement benefits (continued)

The Group also operates defined contribution schemes under the Hong Kong Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the schemes. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the schemes. The assets of the schemes are held separately from those of the Group in independently administered funds. When an employee leaves the employment prior to his/her interest in the Group's employer contributions vesting fully, the relevant amount of forfeited benefits may be refunded to the Group or used to reduce the ongoing contributions payable by the Group. In respect of the Mandatory Provident Fund retirement benefits schemes, the Group's employer contributions vest fully with the employees when contributed into the schemes.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute 8% of its payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of distributable reserves within the equity section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries and associates are currencies other than the Hong Kong dollar. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the balance sheet date, and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in the exchange fluctuation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements (continued)

Operating lease commitments - Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Estimation of fair value of investment properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location (or subject to different leases or other contracts), adjusted to reflect those differences;

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Estimation of fair value of investment properties (continued)

(c) the new replacement cost of the buildings and other site works, from which deductions are made to allow for the age, condition, economic or functional obsolescence and environmental factors, etc.

The principal assumptions for the Group's estimation of the fair value include those related to current market rents for similar properties in the same location and condition, appropriate discount rates, expected future market rents and future maintenance costs. The carrying amount of investment properties at 31 December 2008 was HK$121,517,000 (2007: HK$101,700,000).

Impairment of available-for-sale investments

In the absence of current prices in an active market for similar investments, the Group considers the discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of existing contracts, planned capacity and unit sale revenue, and by using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The carrying amount of the available-for-sale investments at 31 December 2008 was HK$123,163,000 (2007: HK$167,077,000), net of impairment of HK$108,783,000 (2007: HK$64,869,000).

For the year ended 31 December 2008, impairment losses of HK$43,914,000 (2007: HK$10,000) have been recognised for available-for-sale investments.

Impairment of properties under development

The Group assesses whether there are any indicators of impairment for its properties under development at each reporting date. The Group considers the discounted cash flow projections based on reliable estimates of future cash flows, assuming that the land will be developed into buildings with planned capacity within a reasonable construction period of time. The estimated sale proceeds and associated development cost will be discounted into present value as at the date of valuation.

Provision and write-down of inventories to net realisable value

The Group's management reviews the condition of inventories of the Group and makes provision for obsolete and slow-moving inventory items. The Group carries out an inventory review on a product-by-product basis at each balance sheet date and makes provision for obsolete items. Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. The Group's management reassesses the estimation on each balance sheet date.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Provision for income taxes

Provision for income tax is made based on the taxable income for the period as determined by the Group. The determination of taxable income involves the exercise of judgement on interpretation of the relevant tax rules and regulations. The amounts of income tax and hence profit or loss could be affected by any interpretations and clarifications which the tax authority may issue from time to time.

4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. The Group is organised into four (2007: three) main business segments. Summary details of the business segments are as follows:

(a) the paint products segment engages in the manufacture and sale of paint products;

(b) the property investment segment comprises:

  (i) the investment in residential and commercial premises for their rental income potential;

  (ii) the development and sale of properties;

(c) the iron and steel trading segment comprises the trading of iron and steel products; and

(d) the "others" segment comprises, principally, securities trading and investment.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

Intersegment sales and transfers are transacted at mutually agreed terms.

4. SEGMENT INFORMATION (continued)

(a) Business segments

The following tables present revenue, profit/(loss), certain asset and liability, income and expenditure information for the Group's business segments for the years ended 31 December 2008 and 2007.

Year ended 31 December 2008	Paint products HK$'000	Property investment HK$'000	Iron and steel trading HK$'000	Others HK$'000	Eliminations HK$'000	Consolidated HK$'000
Segment revenue:						
Sales to external customers	803,405	6,649	131,763	—	—	941,817
Intersegment sales	—	7,052	—	—	(7,052)	—
Other income and gains	6,326	1,432	6,525	1,597	—	15,880
Total	809,731	15,133	138,288	1,597	(7,052)	957,697
Segment results	27,225	(21,812)	1,711	(43,598)	10,129	(26,345)
Interest income						1,696
Unallocated expenses						(33,115)
Finance costs						(6,051)
Share of profits and losses of associates						873
Loss before tax						(62,942)
Tax						(8,237)
Loss for the year						(71,179)

4. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

Year ended 31 December 2008	Paint products HK$'000	Property investment HK$'000	Iron and steel trading HK$'000	Others HK$'000	Eliminations HK$'000	Consolidated HK$'000
Assets and liabilities:						
Segment assets	377,415	326,962	11,007	2,595	(1,420)	716,559
Interests in associates	—	3,192	—	269	—	3,461
Unallocated assets:						
Available-for-sale investments						123,163
Others						126,269
Total assets						969,452
Segment liabilities	173,733	5,769	5,429	244	(1,420)	183,755
Unallocated liabilities						157,963
Total liabilities						341,718
Other segment information:						
Depreciation	13,432	4,792	1	—	—	18,225
Capital expenditure	38,403	13,845	5	3,000	—	55,253
Fair value losses on investment properties	—	9,051	—	—	—	9,051
Impairment of a property under development	—	14,247	—	—	—	14,247
Impairment of available-for-sale investments, net	—	—	—	43,914	—	43,914
Loss on disposal of a subsidiary	—	2,837	—	—	—	2,837
Write-back of impairment of amounts due from an associate	—	—	—	(1,523)	—	(1,523)
Impairment of trade receivables	2,748	—	—	—	—	2,748
Write-down of inventories to net realisable value	1,999	—	—	—	—	1,999

4. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

Year ended 31 December 2007	Paint products HK$'000	Property investment HK$'000	Iron and steel trading HK$'000	Others HK$'000	Eliminations HK$'000	Consolidated HK$'000
Segment revenue:						
Sales to external customers	680,240	5,586	48,980	–	–	734,806
Intersegment sales	–	5,209	–	–	(5,209)	–
Other income and gains	3,699	16,692	4,446	2,206	–	27,043
Total	683,939	27,487	53,426	2,206	(5,209)	761,849
Segment results	34,334	14,801	(95)	740	9,549	59,329
Interest income						1,847
Unallocated expenses						(36,987)
Finance costs						(5,095)
Share of profits of associates						885
Profit before tax						19,979
Tax						(10,976)
Profit for the year						9,003
Assets and liabilities:						
Segment assets	300,379	343,017	5,262	1,556	(868)	649,346
Interests in associates	–	1,767	–	–	–	1,767
Unallocated assets:						
Available-for-sale investments						167,077
Others						172,571
Total assets						990,761
Segment liabilities	183,504	5,468	3,399	105	(868)	191,608
Unallocated liabilities						115,637
Total liabilities						307,245

4. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

Year ended 31 December 2007	Paint products	Property investment	Iron and steel trading	Others	Eliminations	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Other segment information:						
Depreciation	11,139	3,178	–	131	–	14,448
Capital expenditure	33,170	38,438	–	77	–	71,685
Gain on disposal of subsidiaries	–	(3,146)	–	–	–	(3,146)
Fair value gains on investment properties	–	(9,600)	–	–	–	(9,600)
Write-back of impairment of a property under development	–	(1,177)	–	–	–	(1,177)
Write-back of a trade payable	(882)	–	–	–	–	(882)
Write-back of inventories to net realisable value	(3,856)	–	–	–	–	(3,856)
Write-back of impairment of an other receivable	–	–	–	(500)	–	(500)

(b) Geographical segments

The following table presents revenue and certain asset and expenditure information for the Group's geographical segments for the years ended 31 December 2008 and 2007.

	Hong Kong		Mainland China		Others		Eliminations		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:										
Sales to external customers	**91,414**	91,175	**850,386**	643,617	**17**	14	**–**	–	**941,817**	734,806
Other segment information:										
Segment assets	**365,989**	389,554	**585,934**	583,308	**17,529**	17,899	**–**	–	**969,452**	990,761
Capital expenditure	**21,056**	41,353	**34,197**	30,332	**–**	–	**–**	–	**55,253**	71,685

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts; and gross rental income received and receivable from investment properties during the year. All significant intra-group transactions have been eliminated on consolidation.

An analysis of revenue, other income and gains is as follows:

	Notes	2008 HK$'000	2007 HK$'000
Revenue			
Sale of paint products		**803,405**	680,240
Sale of iron and steel products		**131,763**	48,980
Gross rental income from investment properties		**6,649**	5,586
		941,817	734,806
Other income			
Bank interest income		**1,648**	1,775
Interest income from a long term receivable		**48**	72
Commission income		**6,147**	3,971
Government grants received from Mainland China authorities		**2,135**	—
Recognition of deferred income	33	**287**	91
Dividend income from an available-for-sale investment		**—**	781
Others		**3,687**	4,242
		13,952	10,932

5. REVENUE, OTHER INCOME AND GAINS (continued)

An analysis of revenue, other income and gains is as follows: (continued)

	Notes	2008 HK$'000	2007 HK$'000
Gains			
Write-back of impairment of amounts due from an associate		**1,523**	—
Gain on disposal of items of property, plant and equipment, net		**316**	—
Foreign exchange differences, net		**1,785**	1,796
Fair value gains on investment properties	14	**—**	9,600
Fair value gain on an equity investment at fair value through profit or loss - held for trading		**—**	68
Gain on disposal of subsidiaries	36	**—**	3,146
Write-back of impairment of a property under development	15	**—**	1,177
Write-back of a trade payable		**—**	882
Write-back of impairment of an other receivable		**—**	500
Others		**—**	789
		3,624	17,958
Total other income and gains		**17,576**	28,890

6. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after charging/(crediting):

	Notes	2008 HK$'000	2007 HK$'000
Cost of inventories sold		**690,358**	516,392
Depreciation	13	**18,225**	14,448
Minimum lease payments under operating leases in respect of land and buildings		**9,573**	11,777
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties		**773**	538
Auditors' remuneration:			
Audit related services		**2,240**	1,980
Other services		**157**	188
Employee benefits expense (excluding directors' remuneration *(note 8)*):			
Wages and salaries		**115,055**	86,698
Pension scheme contributions (defined contribution schemes)		**1,073**	998
Net pension scheme gain (defined benefit scheme)	22(b)	**(459)**	(342)
		115,669	87,354

6. PROFIT/(LOSS) BEFORE TAX (continued)

The Group's profit/(loss) before tax is arrived at after charging/(crediting): (continued)

	Notes	2008 HK$'000	2007 HK$'000
Write-down/(write-back) of inventories to net realisable value		**1,999**	(3,856)
Impairment of trade receivables	24	**2,748**	175
Included in "Other expenses, net" on the face of the consolidated income statement:			
Loss on disposal of items of property, plant and equipment, net		**—**	367
Write-off of items of property, plant and equipment		**470**	470
Fair value losses on investment properties	14	**9,051**	—
Impairment of a property under development	15	**14,247**	—
Impairment of available-for-sale investments, net	20	**43,914**	10
Loss on disposal of a subsidiary	36	**2,837**	—
Fair value loss on an equity investment at fair value through profit or loss – held for trading		**88**	—

7. FINANCE COSTS

	2008 HK$'000	2007 HK$'000
Interest on bank loans and other loans wholly repayable within five years	**4,380**	3,275
Interest on other loans	**1,557**	1,736
Interest on finance leases	**114**	84
	6,051	5,095

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Fees:		
Executive directors	**2,100**	2,100
Non-executive directors	**900**	900
	3,000	3,000
Other emoluments:		
Salaries, allowances and benefits in kind	**17,401**	17,265
Discretionary bonuses	**70**	—
Pension scheme contributions	**865**	762
	18,336	18,027
	21,336	21,027

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2008	2007
	HK$'000	HK$'000
Sir David Akers-Jones	**200**	200
Chan Wa Shek	**100**	100
Steven Chow	**100**	100
Danny T Wong	**200**	200
	600	600

There were no other emoluments payable to the independent non-executive directors during the year (2007: Nil).

8. DIRECTORS' REMUNERATION (continued)

(b) Executive directors and non-executive directors

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2008					
Executive directors:					
Tsui Tsin Tong	1,100	10,601	—	611	12,312
Lam Ting Ball, Paul	300	1,903	—	12	2,215
Tsui Ho Chuen, Philip	300	2,159	—	103	2,562
Tsui Yam Tong, Terry	300	1,950	—	106	2,356
Chong Chi Kwan	100	223	50	4	377
Wong Chi Keung, Alvin	—	565	20	29	614
	2,100	17,401	70	865	20,436
Non-executive directors:					
Hung Ting Ho, Richard	100	—	—	—	100
Zhang Yulin	100	—	—	—	100
Ko Sheung Chi	100	—	—	—	100
	300	—	—	—	300
	2,400	17,401	70	865	20,736

8. **DIRECTORS' REMUNERATION** (continued)

(b) **Executive directors and non-executive directors** (continued)

	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	HK$'000	HK$'000	HK$'000	HK$'000
2007				
Executive directors:				
Tsui Tsin Tong	800	10,470	509	11,779
Lam Ting Ball, Paul	300	1,880	12	2,192
Tsui Ho Chuen, Philip	350	2,193	97	2,640
Tsui Yam Tong, Terry	350	1,897	106	2,353
Wong Chi Keung, Alvin	300	825	38	1,163
	2,100	17,265	762	20,127
Non-executive directors:				
Hung Ting Ho, Richard	100	–	–	100
Zhang Yulin	100	–	–	100
Ko Sheung Chi	100	–	–	100
	300	–	–	300
	2,400	17,265	762	20,427

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2007: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2007: four) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining one (2007: one) non-director and highest paid employee for the year are as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**1,346**	1,220
Discretionary bonus	**85**	—
Joining inducement fee	**106**	—
Pension scheme contributions	**34**	64
	1,571	1,284

10. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. The lower Hong Kong profits tax rate is effective from the year of assessment 2008/2009, and so is applicable to the assessable profits arising in Hong Kong for the whole year ended 31 December 2008. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Group	
	2008	2007
	HK$'000	HK$'000
Current – Hong Kong		
Charge for the year	**273**	—
Overprovision in prior years	**—**	(2)
Current – Elsewhere		
Charge for the year	**8,342**	10,706
Deferred *(note 32)*	**(378)**	272
	8,237	10,976

The share of tax attributable to associates amounting to HK$230,000 (2007: HK$198,000) is included in "Share of profits and losses of associates" on the face of the consolidated income statement.

10. TAX (continued)

A reconciliation of the tax charge/(credit) applicable to profit/(loss) before tax using the statutory rate for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax charge at the effective tax rate, and a reconciliation of the applicable rate (i.e., the statutory tax rate) to the effective tax rate, are as follows:

	Group			
	2008		2007	
	HK$'000	**%**	HK$'000	%
Profit/(loss) before tax	**(62,942)**		19,979	
Tax charge/(credit) at the statutory tax rate	**(10,385)**	**(16.5)**	3,496	17.5
Higher/(lower) tax rates for specific provinces in the PRC	**1,729**	**2.7**	(1,249)	(6.3)
Effect of opening deferred tax of decrease in rate	**(40)**	**(0.1)**	–	–
Adjustments in respect of current tax of previous periods	**—**	**—**	(2)	–
Profits attributable to associates	**(144)**	**(0.2)**	(155)	(0.8)
Depreciation adjustment	**(114)**	**(0.2)**	(377)	(1.9)
Income not subject to tax	**(623)**	**(1.0)**	(3,954)	(19.8)
Expenses not deductible for tax	**11,262**	**17.9**	3,564	17.8
Tax losses utilised from previous periods	**(1,353)**	**(2.1)**	(610)	(3.0)
Tax losses not recognised	**7,905**	**12.6**	10,263	51.4
Tax charge at the Group's effective rate	**8,237**	**13.1**	10,976	54.9

11. PROFIT/(LOSS) ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

Of the Group's loss attributable to equity holders of the parent of HK$71,515,000 (2007: profit of HK$12,302,000), a loss of HK$99,518,000 (2007: HK$17,459,000) has been dealt with in the financial statements of the Company (note 35(b)).

12. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings/(loss) per share amounts is based on the loss for the year attributable to ordinary equity holders of the parent of HK$71,515,000 (2007: profit of HK$12,302,000) and the weighted average number of ordinary shares of 1,573,671,409 (2007: 1,556,244,000) in issue during the year.

No diluted earnings/(loss) per share amount is presented for the years ended 31 December 2008 and 2007 as there was no diluting event existed during these years.

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Freehold land and buildings HK$'000	Leasehold land and buildings HK$'000	Construction in progress HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2008								
At 1 January 2008:								
Cost or valuation	18,502	274,848	2,620	13,377	118,456	21,878	22,331	472,012
Accumulated depreciation and impairment	(1,079)	(77,961)	—	(7,179)	(95,402)	(14,383)	(13,783)	(209,787)
Net carrying amount	17,423	196,887	2,620	6,198	23,054	7,495	8,548	262,225
At 1 January 2008, net of accumulated depreciation and impairment	17,423	196,887	2,620	6,198	23,054	7,495	8,548	262,225
Additions	—	11,753	13,342	8,557	2,608	3,686	4,778	44,724
Disposals	—	—	—	—	(157)	(19)	(135)	(311)
Write-off	—	—	—	(87)	(288)	(41)	(54)	(470)
Depreciation provided during the year	(115)	(7,945)	—	(2,784)	(2,532)	(2,368)	(2,481)	(18,225)
Transfers	—	133	(3,969)	262	668	2,906	—	—
Disposal of a subsidiary *(note 36)*	—	—	—	—	—	(12)	(627)	(639)
Exchange realignment	(270)	2,789	133	368	1,580	535	432	5,567
At 31 December 2008, net of accumulated depreciation and impairment	17,038	203,617	12,126	12,514	24,933	12,182	10,461	292,871
At 31 December 2008:								
Cost or valuation	18,209	292,396	12,126	22,375	127,473	28,867	23,921	525,367
Accumulated depreciation and impairment	(1,171)	(88,779)	—	(9,861)	(102,540)	(16,685)	(13,460)	(232,496)
Net carrying amount	17,038	203,617	12,126	12,514	24,933	12,182	10,461	292,871
Analysis of cost or valuation:								
At cost	18,209	82,368	12,126	22,375	127,473	28,867	23,921	315,339
At 31 December 1994 valuation	—	202,000	—	—	—	—	—	202,000
At 30 June 2005 valuation (transferred from investment properties)	—	8,028	—	—	—	—	—	8,028
	18,209	292,396	12,126	22,375	127,473	28,867	23,921	525,367

13. PROPERTY, PLANT AND EQUIPMENT (continued)

Group

	Freehold land and buildings HK$'000	Leasehold land and buildings HK$'000	Construction in progress HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2007								
At 1 January 2007:								
Cost or valuation	18,502	235,178	1,765	11,644	118,036	22,083	21,237	428,445
Accumulated depreciation and impairment	(967)	(70,545)	–	(6,500)	(93,969)	(14,357)	(15,703)	(202,041)
Net carrying amount	17,535	164,633	1,765	5,144	24,067	7,726	5,534	226,404
At 1 January 2007, net of accumulated depreciation and impairment	17,535	164,633	1,765	5,144	24,067	7,726	5,534	226,404
Additions	–	38,028	2,268	1,063	1,248	1,731	5,245	49,583
Disposals	–	–	–	–	(619)	(29)	(182)	(830)
Write-off	–	–	–	(63)	(105)	(300)	(2)	(470)
Depreciation provided during the year	(112)	(6,987)	–	(1,446)	(2,074)	(1,729)	(2,100)	(14,448)
Transfers	–	–	(1,417)	1,417	–	–	–	–
Exchange realignment	–	1,213	4	83	537	96	53	1,986
At 31 December 2007, net of accumulated depreciation and impairment	17,423	196,887	2,620	6,198	23,054	7,495	8,548	262,225
At 31 December 2007:								
Cost or valuation	18,502	274,848	2,620	13,377	118,456	21,878	22,331	472,012
Accumulated depreciation and impairment	(1,079)	(77,961)	–	(7,179)	(95,402)	(14,383)	(13,783)	(209,787)
Net carrying amount	17,423	196,887	2,620	6,198	23,054	7,495	8,548	262,225
Analysis of cost or valuation:								
At cost	18,502	64,820	2,620	13,377	118,456	21,878	22,331	261,984
At 31 December 1994 valuation	–	202,000	–	–	–	–	–	202,000
At 30 June 2005 valuation (transferred from investment properties)	–	8,028	–	–	–	–	–	8,028
	18,502	274,848	2,620	13,377	118,456	21,878	22,331	472,012

13. PROPERTY, PLANT AND EQUIPMENT (continued)

Company

	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2008				
At 1 January 2008:				
Cost	1,126	2,158	1,172	4,456
Accumulated depreciation	(1,126)	(1,921)	(1,172)	(4,219)
Net carrying amount	—	237	—	237
At 1 January 2008, net of accumulated depreciation	—	237	—	237
Additions	—	113	—	113
Depreciation provided during the year	—	(74)	—	(74)
At 31 December 2008, net of accumulated depreciation	—	276	—	276
At 31 December 2008:				
Cost	1,126	2,137	1,172	4,435
Accumulated depreciation	(1,126)	(1,861)	(1,172)	(4,159)
Net carrying amount	—	276	—	276

13. PROPERTY, PLANT AND EQUIPMENT (continued)

Company

	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2007				
At 1 January 2007:				
Cost	1,861	3,073	1,869	6,803
Accumulated depreciation	(1,861)	(2,808)	(1,869)	(6,538)
Net carrying amount	—	265	—	265
At 1 January 2007, net of accumulated depreciation	—	265	—	265
Additions	—	77	—	77
Write-off	—	(24)	—	(24)
Depreciation provided during the year	—	(81)	—	(81)
At 31 December 2007, net of accumulated depreciation	—	237	—	237
At 31 December 2007:				
Cost	1,126	2,158	1,172	4,456
Accumulated depreciation	(1,126)	(1,921)	(1,172)	(4,219)
Net carrying amount	—	237	—	237

Note: As an arrangement of attracting foreign investments in Xuzhou, the Group entered into certain agreements (the "Xuzhou Agreements") with the Xuzhou Economic Development Zone Committee（「徐州經濟開發區管委會」）(the "Xuzhou Authority", under the municipal government of Xuzhou) on 10 April 2004. Pursuant to the Xuzhou Agreements, the Xuzhou Authority arranged the construction of the plant and office buildings for a solvent manufacturing subsidiary in Xuzhou (the "Xuzhou Subsidiary") and also provided the required funding to the Xuzhou Subsidiary for the construction in the form of a loan to the Xuzhou Subsidiary (the "Construction Loan"). The construction of the plant and office buildings was completed, and the plant and office buildings were handed over to the Group for the solvent operation in July 2005. On 25 June 2007, the Group entered into certain revised agreements, (collectively the "Revised Xuzhou Agreements") with the Xuzhou Authority to finalise the land premium payable at RMB4,793,000 for the piece of land on which the plant and office buildings were constructed (the "Xuzhou Land") and waive the same amount of the Construction Loan due to it (note 33). The respective land use right certificate and real estate certificate were obtained by the Group in 2007. At the balance sheet date, the carrying value of the buildings of the Xuzhou Subsidiary pledged to the Xuzhou Authority for the Construction Loan amounted to HK$12,551,000 (2007: HK$12,407,000) (note 30).

13. PROPERTY, PLANT AND EQUIPMENT (continued)

The net book value of the Group's items of property, plant and equipment held under finance leases included in the total amount of office equipment and motor vehicles at 31 December 2008 amounted to HK$2,827,000 (2007: HK$2,254,000).

Certain of the Group's leasehold land and buildings situated in Hong Kong and Mainland China were revalued at 31 December 1994 by Vigers Appraisal & Consulting Limited, independent professionally qualified valuers. The leasehold land and buildings situated in Hong Kong were revalued at open market value, based on their existing use. The leasehold land and buildings situated in Mainland China were revalued based on a combination of the market and the depreciated replacement costs. Since 31 December 1994, no further revaluations of the Group's leasehold land and buildings have been carried out, as the Group has relied upon the exemption granted under the transitional provisions in paragraph 80A of HKAS 16 from the requirement to carry out future revaluations of its property, plant and equipment which were stated at valuation at that time. Certain leasehold land and buildings of the Group which had been revalued in 1994 were classified as finance leases under paragraph 16 of HKAS 17 as the lease payments could not be allocated reliably between the land and buildings elements. Accordingly, the entire lease has been classified as a finance lease of the Group's property, plant and equipment.

Had the Group's leasehold land and buildings been carried at historical cost less accumulated depreciation and impairment, their total carrying amount at 31 December 2008 would have been HK$161,700,000 (2007: HK$160,190,000).

The Group's land and buildings included above are held under the following lease terms:

	Hong Kong HK$'000	Elsewhere HK$'000	Total HK$'000
Freehold	—	18,209	18,209
Long term leases	64,028	—	64,028
Medium term leases	127,056	101,312	228,368
	191,084	119,521	310,605

At 31 December 2008, certain of the above land and buildings with an aggregate net book value of HK$217,976,000 (2007: HK$214,175,000) were pledged to secure general banking facilities and other loan granted to the Group (note 30).

14. INVESTMENT PROPERTIES

	Notes	Group 2008 HK$'000	Group 2007 HK$'000
Carrying amount at 1 January		**101,700**	113,900
Additions		**868**	—
Transfer from properties under development	15	**28,000**	—
Disposal of subsidiaries	36	**—**	(21,800)
Fair value gains/(losses)	5,6	**(9,051)**	9,600
Carrying amount at 31 December		**121,517**	101,700

The Group's investment properties are held under the following lease terms:

	Group 2008 HK$'000	Group 2007 HK$'000
Long term leases in Hong Kong	**53,050**	54,400
Medium term leases in:		
Hong Kong	**48,770**	27,500
Elsewhere	**19,697**	19,800
	68,467	47,300
	121,517	101,700

The Group's investment properties were revalued on 31 December 2008 by Vigers Appraisal & Consulting Limited or BMI Appraisals Limited, independent professionally qualified valuers. The properties situated in Hong Kong were either revalued at open market value, based on their existing use, or on the basis of capitalisation of net rental income. The property situated in elsewhere was revalued by the depreciated replacement cost approach.

Certain investment properties are leased to third parties under operating leases, further summary details of which are included in note 40(a).

At 31 December 2008, certain of the Group's investment properties with an aggregate carrying value of HK$99,517,000 (2007: HK$101,700,000) were pledged to secure general banking facilities granted to the Group (note 30).

Further particulars of the Group's investment properties are included on page 139.

15. PROPERTIES UNDER DEVELOPMENT

	Notes	Group 2008 HK$'000	2007 HK$'000
Carrying amount at 1 January		**74,000**	26,800
Transfer to investment properties	14	**(28,000)**	—
Transfer from a deposit for purchase of a property	21	**—**	46,000
Additions		**247**	23
Write-back of impairment/(impairment) during the year	5,6	**(14,247)**	1,177
Carrying amount at 31 December		**32,000**	74,000

The carrying value of the Group's properties under development is analysed as follows:

	Group 2008 HK$'000	2007 HK$'000
Medium and other term leases in Hong Kong (note)	**32,000**	74,000

Note: Land lot Nos. 879, 880A1, 880B1, 881 to 885, 889RP and 891 in Demarcation District No. 115 are held under medium term lease. Land lot Nos. 1318, 1326 and 1344 in Demarcation District No. 115 are held under Tai Po New Grant with their lease terms being unable to be ascertained from their respective new grants.

Further particulars of the Group's properties under development are included on page 140.

16. PREPAID LAND PREMIUMS

	Group 2008 HK$'000	2007 HK$'000
Carrying amount at 1 January	**16,766**	1,567
Transfer from deposits paid for purchases of properties *(note 21)*	**2,748**	—
Additions	**—**	15,322
Recognised during the year	**(456)**	(230)
Exchange realignment	**2,263**	107
Carrying amount at 31 December	**21,321**	16,766

At the balance sheet date, the Group's pieces of leasehold land are held under medium term leases and are situated in Mainland China.

17. INTANGIBLE ASSET

Group

	Technology know-how HK$'000
31 December 2008	
Cost at 1 January 2008, net of accumulated amortisation	—
Additions	3,000
Amortisation provided during the year	—
At 31 December 2008	3,000
At 31 December 2008:	
Cost	3,000
Accumulated amortisation	—
Net carrying amount	3,000

	HK$'000
31 December 2007	
At 1 January 2007 and 31 December 2007:	
Cost	—
Accumulated amortisation	—
Net carrying amount	—

18. INTERESTS IN SUBSIDIARIES

	Company	
	2008	2007
	HK$'000	HK$'000
Unlisted shares/investments, at cost	**224,095**	224,095
Loans to subsidiaries	**1,656,645**	1,657,757
Due to subsidiaries	**(676)**	(696)
	1,880,064	1,881,156
Impairment	**(1,419,527)**	(1,322,288)
	460,537	558,868

An impairment was recognised for certain unlisted investments in subsidiaries with a carrying amount of HK$1,800,953,000 (before deducting the impairment loss) (2007: HK$1,764,605,000) because the Company's directors considered these subsidiaries have insufficient assets to be realised to recover the Company's interests therein.

Except for the amounts due from subsidiaries of HK$507,486,000 (2007: HK$480,219,000), which bear interest at the Hong Kong dollar prime rate (2007: Hong Kong dollar prime rate) per annum, the amounts due from/to subsidiaries are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the Company's directors, these amounts are considered as quasi-equity loans to the subsidiaries. The carrying amounts of the amounts due from/to subsidiaries approximate to their fair values.

18. INTERESTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries as at 31 December 2008 are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
The China Paint Manufacturing Company (1932) Limited	Hong Kong	Ordinary HK$200,000 Non-voting deferred HK$1,761,300	—	100	Manufacture and sale of paint products and investment holding
The China Paint Manufacturing (Shenzhen) Co., Ltd. # *	the PRC	HK$70,000,000	—	100	Manufacture and sale of paint products
The China Paint Mfg. Co., (Xinfeng) Ltd. # *	the PRC	US$3,000,000	—	100	Not yet commenced operations
China Euronavy Coating (Hong Kong) Company Limited	Hong Kong	HK$1	—	100	Sale of chemicals for paint products
China Paint Property Limited	Hong Kong	HK$100,000	—	100	Property investment
China Utilities Limited	British Virgin Islands	US$1	—	100	Investment holding
CNT Dalian Company Limited	Hong Kong	HK$2	—	100	Investment holding
CNT Finance Company Limited	Hong Kong	HK$2	100	—	Fund management
CNT Industries (BVI) Limited	British Virgin Islands	US$1,635,512	100	—	Investment holding

18. INTERESTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries as at 31 December 2008 are as follows: (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
CNT Investments (BVI) Limited	British Virgin Islands	US$159,705	100	—	Investment holding
CNT Iron And Steel Limited	British Virgin Islands	US$1,566,804	—	100	Investment holding
CNT Iron And Steel Trading Company Limited	Hong Kong	HK$2	—	100	Trading of iron and steel products
CNT-Jialing Investments Limited	Hong Kong	HK$10,000,000	100	—	Property investment
CNT Management and Secretaries Limited	Hong Kong	HK$2	100	—	Management and secretarial services
Conley Investment Limited	Hong Kong	HK$2	—	100	Property investment
Dongola Holdings Limited	British Virgin Islands	US$1	100	—	Investment holding
Fan Ball Development Limited	Hong Kong	HK$10,000	—	100	Property investment
Full Pool Limited	Hong Kong	HK$2	—	100	Investment holding
Giraffe Paint Mfg. Co., (Shanghai) Ltd. # *	the PRC	US$4,000,000	—	100	Not yet commenced operations
Giraffe Paint Mfg. Co., (Xuzhou) Ltd. # *	the PRC	US$2,000,000	—	100	Manufacture and sale of solvents

18. INTERESTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries as at 31 December 2008 are as follows: (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Golden Premium Limited	Hong Kong	HK$2	—	100	Property investment
Guangzhou City Wilfred Marble Company Limited # *	the PRC	HK$50,975,000	—	100	Property investment
Hua Xia International Development Co. Ltd. *	Taiwan	NTD25,000,000	100	—	Property holding
Hubei Giraffe Paint Mfg. Co., Ltd. ## *	the PRC	RMB40,000,000	—	90.5	Manufacture and sale of paint products
Joyous Cheer Limited	Hong Kong	HK$1	—	100	Property development
Majority Faith Corporation	British Virgin Islands	US$1	—	100	Investment holding
Ocean Wide Assets Limited	British Virgin Islands	US$1	—	100	Investment holding
Opulent Profits Limited	British Virgin Islands	US$1	—	100	Investment holding

18. INTERESTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries as at 31 December 2008 are as follows: (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Profit Source Limited	Hong Kong	HK$2	—	100	Securities investment and investment holding
Rainbow Path Enterprises Limited	Hong Kong	HK$1,000	—	100	Investment holding
R, J & Thomas Secretaries Limited	Hong Kong	HK$30,000	—	100	Investment holding
深圳市長頸鹿涂裝工程有限公司 # *	the PRC	RMB2,000,000	—	100	Interior decoration
Tatpo Corporation Limited	Liberia	US$20,872	100	—	Investment holding
Winrank Limited	Hong Kong	HK$10,000	—	75	Not yet commenced operations

* *Not audited by Ernst & Young Hong Kong or other member firm of the Ernst & Young global network.*

\# *Wholly-foreign-owned enterprise registered under the PRC law.*

\#\# *Sino-foreign equity joint venture registered under the PRC law.*

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

19. INTERESTS IN ASSOCIATES

	Group	
	2008	2007
	HK$'000	HK$'000
Share of net assets	**9,199**	5,276
Loans to associates	**1,521**	—
Due to an associate	**(3,750)**	—
	6,970	5,276
Impairment	**(3,509)**	(3,509)
	3,461	1,767

At 31 December 2008, the loans to associates are unsecured, interest-free, and have no fixed terms of repayment. In the opinion of the Company's directors, these loans are considered as quasi-equity investments in the associates.

The amounts due from an associate included in the Group's current assets totalling HK$1,523,000 (2007: Nil) is unsecured, interest free and is repayable on demand or within one year.

19. INTERESTS IN ASSOCIATES (continued)

Particulars of the principal associates as at 31 December 2008 are as follows:

Name	Particulars of issued ordinary/ registered share capital	Place of incorporation/ registration	Percentage of equity attributable to the Group 2008	2007	Principal activities
Arran Investment Company, Limited #	Ordinary shares of HK$100 each	Hong Kong	**50**	50	Property investment
Gobi EcoTech Limited	HK$10,000	Hong Kong	**40**	—	Not yet commenced operations
Liaoyang Beiyang Realestate Development Company Limited #	US$1,240,000	the PRC	**50**	50	Property development

Not audited by Ernst & Young Hong Kong or other member firm of the Ernst & Young global network.

Liaoyang Beiyang Realestate Development Company Limited and Arran Investment Company, Limited are corporate associates indirectly held by the Company as at 31 December 2008. The financial year end of Liaoyang Beiyang Realestate Development Company Limited is coterminous with that of the Group, while Arran Investment Company, Limited has a financial year end of 31 October. The consolidated financial statements are adjusted for material transactions between this associate and the Group companies between the financial year end date of this associate and that of the Group.

The above table lists the associates of the Group which, in the opinion of the Company's directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the Company's directors, result in particulars of excessive length.

19. INTERESTS IN ASSOCIATES (continued)

The Group has discontinued the recognition of its share of losses of Liaoyang Beiyang Realestate Development Company Limited because the share of losses of the associate exceeded the Group's interest in the associate and the Group had no binding obligation to make good any losses incurred by the associate. The Group's unrecognised share of loss of this associate for the current year and its cumulative losses were HK$387,000 (2007: HK$310,000) and HK$5,632,000 (2007: HK$5,245,000), respectively.

All the above associates have been accounted for using the equity method in these financial statements.

The following table illustrates the summarised financial information of the Group's associates extracted from their financial statements:

	2008	2007
	HK$'000	HK$'000
Assets	**22,422**	13,364
Liabilities	**2,645**	3,820
Revenues	**2,877**	2,544
Profit	**2,625**	2,267

20. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2008	2007
	HK$'000	HK$'000
Unlisted equity investments, at cost	**231,946**	231,946
Impairment	**(108,783)**	(64,869)
	123,163	167,077

The above investments consist of investments in equity securities which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate. These unlisted equity investments were stated at cost less impairment because the range of reasonable fair value estimates is so significant that the Company's directors are of the opinion that their fair value cannot be measured reliably. At the balance sheet date, the Group does not intend to dispose of them in the future.

21. DEPOSITS FOR PURCHASES OF PROPERTIES

	Group	
	2008	2007
	HK$'000	HK$'000
At 1 January	**6,757**	46,000
Transfer to prepaid land premiums *(note 16)*	**(2,748)**	—
Transfer to properties under development *(note 15)*	**—**	(46,000)
Additions	**6,414**	6,757
Exchange realignment	**553**	—
At 31 December	**10,976**	6,757

As at 31 December 2008, the carrying amount represents deposits paid during the year for the purchases of a piece of land in Xinfeng, Guangdong Province, the PRC and certain residential units located in Shajin, Shenzhen, the PRC.

As at 1 January 2007, the carrying amount represented a deposit paid to an independent third party (the "Vendor") in May 1999 for the acquisition of certain lots of land in Hong Kong (the "Land Lots"), subject to the surrender to and regrant (the "Regrant") by the Hong Kong SAR Government (the "Government") of such lots of land. As the Regrant was not completed before 12 May 2002 and the deposit paid was not refunded from the Vendor, the Group, pursuant to the provisions of the sale and purchase agreement, exercised its absolute discretion right to acquire the Land Lots and settled the purchase consideration by the deposit previously paid. Accordingly, the deposit of a carrying value of HK$46,000,000 was reclassified as properties under development in 2007 (note 37(b)). New town planning application for the change of the use of land from agricultural and house lots to comprehensive residential development has been made by the Group at the balance sheet date.

22. NET PENSION SCHEME ASSETS

(a) The amounts recognised in the consolidated balance sheet were as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Fair value of scheme assets	**7,470**	11,358
Present value of the defined benefit obligation	**(9,324)**	(5,973)
Surplus/(deficit) in the pension scheme	**(1,854)**	5,385
Net unrecognised actuarial losses/(gains)	**4,053**	(3,645)
Net pension scheme assets recognised	**2,199**	1,740

(b) The components of the Group's net pension scheme gain recognised in the consolidated income statement for the year, together with the actual return on the scheme assets for the year, were as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Current service cost	**279**	250
Interest cost on defined benefit obligation	**207**	200
Expected return on pension scheme assets	**(790)**	(672)
Net cumulative actuarial gain recognised in the income statement	**(155)**	(123)
Administration costs and group life premium deducted from contributions	**—**	3
	(459)	(342)
Actual return on scheme assets	**(3,735)**	1,664

The above amount of the Group's net pension scheme gain was set off against the employee benefits expense in "Administrative expenses" on the face of the consolidated income statement.

22. NET PENSION SCHEME ASSETS (continued)

(c) Movements in the present value of the Group's defined benefit obligation were as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
At 1 January	**5,973**	5,331
Interest cost	**207**	200
Current service cost	**279**	250
Benefits paid	**(153)**	—
Actuarial loss	**3,018**	192
At 31 December	**9,324**	5,973

(d) Movements in the Group's fair value of scheme assets were as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
At 1 January	**11,358**	9,515
Expected return on scheme assets	**790**	672
Contributions	**—**	179
Benefits paid	**(153)**	—
Actuarial gain/(loss) on scheme assets	**(4,525)**	992
At 31 December	**7,470**	11,358

(e) The Group does not expect to pay any contributions to the Group's defined benefit pension scheme during the year ending 31 December 2009.

22. NET PENSION SCHEME ASSETS (continued)

(f) Scheme assets consist of the following:

	Group	
	2008	2007
Equities	**68%**	70%
Bonds	**26%**	22%
Cash	**6%**	8%
Total	**100%**	100%

(g) The principal actuarial assumptions used in determining the Group's net pension scheme assets as at the balance sheet date are follows:

	Group	
	2008	2007
Discount rate	**1.1%**	3.5%
Expected rate of return on the scheme assets	**7.0%**	7.0%
Future salary increases	**4.0%**	3.2%

The expected return on the pension scheme asset is based on market expectations, at the beginning of the period, for returns over the entire life of the related obligations.

(h) Other historical information of the Group's pension scheme assets and liabilities was as follows:

	Group			
	2008	2007	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000
Fair value of scheme assets	**7,470**	11,358	9,515	9,423
Present value of the defined benefit obligation	**9,324**	5,973	5,331	6,854
Surplus/(deficit) in pension scheme	**(1,854)**	5,385	4,184	2,569
Experienced gain/(loss) arising on scheme assets	**(4,525)**	992	1,077	(24)
Experienced loss/(gain) arising on scheme liabilities	**(226)**	106	(320)	(402)

22. NET PENSION SCHEME ASSETS (continued)

(i) In addition to the above disclosures, the following information is further provided pursuant to the requirements of the Listing Rules. The actuarial valuation of the Group's net pension scheme assets as at 31 December 2008 was performed by an actuarial manager of HSBC Life (International) Limited, a member of Actuarial Society of Hong Kong, using the valuation method detailed under the heading "Other employee benefits: Pension schemes and other retirement benefits" in note 2.4. The defined benefit scheme is funded by the employers to provide benefits based on the members' salaries and services.

As at 31 December 2008, the level of funding of the pension scheme was 80%, as calculated under the projected unit credit actuarial valuation method.

23. INVENTORIES

	Group	
	2008	2007
	HK$'000	HK$'000
Raw materials and spare parts	**35,930**	49,027
Work in progress	**5,564**	5,287
Finished goods	**20,440**	11,587
	61,934	65,901

24. TRADE RECEIVABLES

	Group	
	2008	2007
	HK$'000	HK$'000
Trade receivables	**164,099**	109,286
Impairment	**(4,314)**	(1,566)
	159,785	107,720
Portion classified as long term receivable	**(757)**	(1,212)
Current portion	**159,028**	106,508

24. TRADE RECEIVABLES (continued)

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The Group maintains a defined credit policy and credit periods are usually granted ranging from one to three months to normal customers. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables, other than the amount classified as long term receivable, are non-interest-bearing. The long term receivable represents a trade receivable due for payment in more than twelve months.

An aged analysis of the trade receivables (that are not considered to be impaired), other than long term receivable, as at the balance sheet date, based on the payment due date and net of impairment, is as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Neither past due nor impaired	**131,814**	46,497
Within three months	**22,535**	51,086
Three to six months	**2,943**	5,407
Over six months	**1,736**	3,518
	159,028	106,508

The movements in provision for impairment of trade receivables are as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
At 1 January	**1,566**	1,644
Impairment losses recognised *(note 6)*	**2,748**	175
Impairment losses written-off	**—**	(253)
At 31 December	**4,314**	1,566

24. TRADE RECEIVABLES (continued)

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$4,314,000 (2007: HK$1,566,000) with a carrying amount of HK$5,200,000 (2007: HK$1,566,000). The individually impaired trade receivables relate to customers that have been in default in payment or in financial difficulties for prolonged periods and are not expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

At 31 December 2008, certain of the trade receivables with an aggregate carrying value of HK$126,736,000 (2007: HK$78,366,000) were pledged to secure general banking facilities granted to the Group (note 30).

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		**Company**	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Prepayments	**2,667**	2,694	**—**	—
Deposits and other receivables	**9,469**	10,987	**1,200**	596
Deferred expenses	**1,768**	—	**—**	—
	13,904	13,681	**1,200**	596

None of the above assets is either past due or impaired. The financial assets included in the above balances related to receivables for which there was no history of default.

26. EQUITY INVESTMENT AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2008	2007
	HK$'000	HK$'000
Equity investment listed in Hong Kong, at fair value	**31**	119

The above equity investment at 31 December 2007 and 2008 was classified as held for trading.

27. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

		Group		Company	
	Note	**2008**	2007	**2008**	2007
		HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances		**105,500**	98,884	**6,004**	1,414
Time deposits:					
— with original maturity date less than three months		**11,565**	60,636	**—**	7,508
— with original maturity date more than three months		**4,702**	11,782	**—**	—
		121,767	171,302	**6,004**	8,922
Less: Pledged time deposits for bills payables	28	**—**	(14,238)	**—**	—
Cash and cash equivalents		**121,767**	157,064	**6,004**	8,922

At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$88,006,000 (2007: HK$128,561,000). The Renminbi is not freely convertible into other currencies, however, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange Renminbi for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for periods of between seven days and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximate to their fair values.

28. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the balance sheet date, based on the invoice date, is as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Within three months	**78,504**	87,154
Three to six months	**6,385**	15,143
Over six months	**360**	1,801
	85,249	104,098

The trade payables are non-interest-bearing and are normally settled on 90-day terms. As at 31 December 2008, the bills payables were unsecured. As at 31 December 2007, bills payables with an aggregate carrying amount of HK$19,306,000 were secured by time deposits of HK$14,238,000 (note 27).

29. OTHER PAYABLES AND ACCRUALS

		Group		Company	
	Note	**2008**	2007	**2008**	2007
		HK$'000	HK$'000	**HK$'000**	HK$'000
Deferred income	33	**291**	279	**—**	—
Other payables		**35,063**	26,989	**368**	576
Accruals		**56,698**	50,829	**2,608**	3,471
		92,052	78,097	**2,976**	4,047

The other payables are non-interest-bearing and have an average term of three months.

30. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2008			2007		
	Effective interest rate per annum (%)	**Maturity**	**HK$'000**	Effective interest rate per annum (%)	Maturity	HK$'000
Group						
Current						
Finance lease payables *(note 31)*	**5.3 - 7.9**	**2009**	**1,038**	3.4 - 7.9	2008	840
Bank loans – secured	**2.5 - 7.0**	**2009**	**28,409**	3.8 - 7.3	2008	21,663
Bank loans – unsecured	**5.3**	**2009**	**10,791**	7.3	2008	3,205
Import loans – secured	**3.1 - 6.1**	**2009**	**36,620**	5.5 - 7.3	2008	8,921
Other loan – secured	**5.4**	**2009**	**6,113**	5.4	2008	3,566
			82,971			38,195
Non-current						
Finance lease payables *(note 31)*	**5.3 - 7.9**	**2010 - 2013**	**1,071**	3.4 - 7.9	2009 - 2011	1,177
Bank loans – secured	**2.5 - 7.0**	**2010 - 2020**	**54,695**	3.8 - 7.3	2009 - 2021	54,862
Other loan – secured	**5.4**	**2010**	**4,695**	5.4	2009 - 2010	8,737
			60,461			64,776
			143,432			102,971
Company						
Current						
Finance lease payables *(note 31)*	**5.7 - 7.9**	**2009**	**19**	5.7 - 7.9	2008	17
Non-current						
Finance lease payables *(note 31)*	**5.7 - 7.9**	**2010 - 2011**	**15**	5.7 - 7.9	2009 - 2011	34
			34			51

30. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Analysed into:				
Bank loans and import loans repayable:				
Within one year or on demand	**75,820**	33,789	**—**	—
In the second year	**5,142**	4,535	**—**	—
In the third to fifth years, inclusive	**16,162**	12,558	**—**	—
Beyond five years	**33,391**	37,769	**—**	—
	130,515	88,651	**—**	—
Other borrowings repayable:				
Within one year or on demand	**7,151**	4,406	**19**	17
In the second year	**5,562**	4,931	**9**	19
In the third to fifth years, inclusive	**204**	4,983	**6**	15
	12,917	14,320	**34**	51
	143,432	102,971	**34**	51

30. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

Notes:

(a) The Group's bank loans and import loans are secured by:

(i) the Group's land and buildings with an aggregate net book value at the balance sheet date of HK$205,425,000 (2007: HK$201,768,000) (note 13);

(ii) the Group's investment properties with an aggregate carrying value at the balance sheet date of HK$99,517,000 (2007: HK$101,700,000) (note 14); and

(iii) the Group's trade receivables with an aggregate carrying value at the balance sheet date of HK$126,736,000 (2007: HK$78,366,000) (note 24).

(b) The Group's other loan represented the Construction Loan as detailed in note 13, which is secured by the buildings of Xuzhou Subsidiary with a carrying value of HK$12,551,000 (2007: HK$12,407,000), bears interest at an effective rate of 5.4% (2007: 5.4%) per annum and is repayable by three instalments over a three-year period.

(c) Included in the Group's interest-bearing bank and other borrowings are borrowings with carrying amounts of HK$74,686,000 (2007: HK$38,909,000) and HK$666,000 (2007: HK$2,612,000), which are denominated in Renminbi and New Taiwan dollars, respectively. All other borrowings of the Group are denominated in Hong Kong dollars.

The carrying amounts of the Group's and the Company's current borrowings approximate to their fair values. The carrying amounts and fair values of the Group's and the Company's non-current borrowings are as follows:

	Carrying amounts		**Fair values**	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Group				
Finance lease payables	**1,071**	1,177	**1,039**	1,143
Bank loans – secured	**54,695**	54,862	**54,335**	54,110
Other loan – secured	**4,695**	8,737	**4,454**	8,737
	60,461	64,776	**59,828**	63,990
Company				
Finance lease payables	**15**	34	**14**	33

The fair values of the Group's and the Company's borrowings have been calculated by discounting the expected future cash flows at the prevailing interest rates.

31. FINANCE LEASE PAYABLES

The Group leases certain of its motor vehicles and office equipment for its operations. These leases are classified as finance leases and have remaining lease terms ranging from one to five years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

At 31 December 2008, the total future minimum lease payments under finance leases and their present values were as follows:

	Minimum lease payments		Present value of minimum lease payments	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Group				
Amounts payable:				
Within one year	**1,127**	927	**1,038**	840
In the second year	**901**	704	**867**	655
In the third to fifth years, inclusive	**208**	537	**204**	522
Total minimum finance lease payments	**2,236**	2,168	**2,109**	2,017
Future finance charges	**(127)**	(151)		
Total net finance lease payables	**2,109**	2,017		
Portion classified as				
current liabilities *(note 30)*	**(1,038)**	(840)		
Non-current portion *(note 30)*	**1,071**	1,177		
Company				
Amounts payable:				
Within one year	**21**	20	**19**	17
In the second year	**10**	21	**9**	19
In the third to fifth years, inclusive	**6**	16	**6**	15
Total minimum finance lease payments	**37**	57	**34**	51
Future finance charges	**(3)**	(6)		
Total net finance lease payables	**34**	51		
Portion classified as				
current liabilities *(note 30)*	**(19)**	(17)		
Non-current portion *(note 30)*	**15**	34		

32. DEFERRED TAX

The movements in deferred tax liabilities and asset during the year are as follows:

Deferred tax liabilities

Group

	Depreciation allowance in excess of related depreciation		**Revaluation of properties**		**Total**	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At 1 January	**4,022**	3,750	**6,597**	6,597	**10,619**	10,347
Deferred tax charged/(credited) to the income statement during the year *(note 10)*	**(384)**	272	**—**	—	**(384)**	272
Deferred tax credited to equity during the year	**—**	—	**(351)**	—	**(351)**	—
Gross deferred tax liabilities recognised in the consolidated balance sheet at 31 December	**3,638**	4,022	**6,246**	6,597	**9,884**	10,619

32. DEFERRED TAX (continued)

Deferred tax asset

Group

	Losses available for offsetting against future taxable profit	
	2008	2007
	HK$'000	HK$'000
At 1 January	**6**	6
Deferred tax charged to the income statement during the year *(note 10)*	**(6)**	—
Gross deferred tax asset recognised in the consolidated balance sheet at 31 December	**—**	6

The Group has tax losses arising in Hong Kong of HK$841,562,000 (2007: HK$793,736,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group has no tax losses arising in Mainland China that will expire in one to five years for offsetting against future taxable profits (2007: HK$5,358,000). Deferred tax asset has not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between China and jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

33. DEFERRED INCOME

	Group	
	2008	2007
	HK$'000	HK$'000
At 1 January	**5,029**	—
Addition	**—**	5,120
Recognised during the year *(note 5)*	**(287)**	(91)
Exchange realignment	**314**	—
	5,056	5,029
Portion classified as current liabilities *(note 29)*	**(291)**	(279)
Non-current portion	**4,765**	4,750

The deferred income relates to a portion of the Construction Loan of RMB4,793,000 (equivalent to HK$5,120,000) waived by the Xuzhou Authority upon the finalisation of premium payable for the acquisition of Xuzhou Land (note 13). It is recognised in the income statement over the weighted average useful life of the buildings and plant and machinery of the Xuzhou Subsidiary whose construction was financed by the Construction Loan.

34. SHARE CAPITAL

Shares

	2008	2007
	HK$'000	HK$'000
Authorised:		
2,880,000,000 ordinary shares of HK$0.10 each	**288,000**	288,000
Issued and fully paid:		
1,573,671,409 (2007: 1,573,671,409) ordinary shares of HK$0.10 each	**157,367**	157,367

34. SHARE CAPITAL (continued)

Shares (continued)

On 29 May 2007, the shareholders of the Company approved the final dividend of HK1 cent per share for the year ended 31 December 2006 by the allotment of new shares of HK$0.1 each credited as fully paid up with a cash option to the eligible shareholders (the "Scrip Dividend Scheme"). Pursuant to the Scrip Dividend Scheme, 34,199,216 ordinary shares were issued in the prior year which resulted in the increase in issued share capital and share premium account of HK$3,420,000 and HK$6,635,000 respectively. There was no movement of the Company's share capital during the year. A summary of the transactions during the prior year in the Company's issued ordinary share capital is as follows:

	Number of shares in issue	Issued share capital HK$'000	Share premium account HK$'000	Total HK$'000
At 1 January 2007	1,539,472,193	153,947	701,691	855,638
Issue of share capital *(note 35(b))*	34,199,216	3,420	6,635	10,055
Transfer of reserves *(note 35(b))*	—	—	(701,691)	(701,691)
At 31 December 2007 and 31 December 2008	**1,573,671,409**	**157,367**	**6,635**	**164,002**

Share options

On 28 June 2002, a share option scheme (the "2002 Scheme") was approved by the shareholders for the purpose of providing incentives to attract and retain employees of the Group, as well as other eligible persons, who made contributions to the Group. The 2002 Scheme, unless otherwise cancelled or amended, will remain in force for 10 years from that date. The exercise price of the share options is determinable by the directors, but shall not be less than the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet on the date of grant; (ii) the average of the closing prices of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

At 31 December 2008, no share options were granted under the 2002 Scheme.

35. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 37 to 39 of the financial statements.

As further detailed in note 2.4, the Group applied the transitional provisions of HKFRS 3 that permitted goodwill in respect of business combinations which occurred prior to 2001 to remain eliminated against consolidated reserves.

The amount of goodwill remaining in consolidated reserves, arising from the acquisition of subsidiaries and associates prior to the adoption of SSAP 30 in 2001, was HK$46,050,000 as at 31 December 2008 and 2007. The amount of goodwill is stated at its cost, less cumulative impairment which arose in years prior to 1 January 2005.

(b) Company

	Share premium account HK$'000	**Capital redemption reserve HK$'000**	**Contributed surplus* HK$'000**	**Accumulated losses HK$'000**	**Total HK$'000**
At 1 January 2007	701,691	6,171	273,078	(562,958)	417,982
Transfer of reserves^ *(note 34)*	(701,691)	(6,171)	707,862	—	—
Set off against accumulated losses of the Company^	—	—	(562,958)	562,958	—
Issue of shares under the Scrip Dividend Scheme *(note 34)*	6,635	—	—	—	6,635
Loss for the year *(note 11)*	—	—	—	(17,459)	(17,459)
At 31 December 2007 and 1 January 2008	6,635	—	417,982	(17,459)	407,158
Loss for the year *(note 11)*	—	—	—	(99,518)	(99,518)
At 31 December 2008	**6,635**	**—**	**417,982**	**(116,977)**	**307,640**

35. RESERVES (continued)

(b) Company (continued)

^ The reduction of share premium account and capital redemption reserve account, and distribution out of the contributed surplus account of the Company were implemented pursuant to the special/ordinary resolutions of the shareholders of the Company passed on 29 May 2007. As at 31 December 2007, the contributed surplus resulted from these transactions amounted to HK$129,509,000.

* A portion of the contributed surplus arose as a result of the transfer from the share premium account pursuant to a court approval obtained in 1992 for the purpose of writing off goodwill arising on the acquisition of subsidiaries. The remaining portion of the contributed surplus arose in 1991 as a result of a group reorganisation and originally represented the difference between the nominal value of the Company's shares allotted under the reorganisation scheme and the consolidated net asset value of the acquired subsidiaries.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to shareholders under certain circumstances.

36. DISPOSAL OF SUBSIDIARIES

	Notes	**2008**	2007
		HK$'000	HK$'000
Net assets disposed of:			
Investment properties	14	**—**	21,800
Property, plant and equipment	13	**639**	—
Cash and bank balances		**4**	—
Prepayments and other receivables		**144**	—
Other payables and accruals		**(797)**	—
Exchange fluctuation reserve		**2,858**	—
		2,848	21,800
Gain/(loss) on disposal of subsidiaries	5, 6	**(2,837)**	3,146
		11	24,946
Satisfied by cash		**11**	24,946
Cash consideration		**11**	24,946
Cash and bank balances		**(4)**	—
Net cash		**7**	24,946

37. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

Major non-cash transactions

(a) During the year ended 31 December 2008, the Group entered into finance lease arrangements in respect of property, plant and equipment with a total capital value at the inception of the leases of HK$1,198,000 (2007: Nil).

(b) As detailed in note 21, during the prior year, the Group exercised its absolute discretion right to acquire the Land Lots. The consideration for the acquisition was settled by the deposit previously paid for the purchase with a carrying amount of HK$46,000,000.

38. CONTINGENT LIABILITIES

At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	Company	
	2008	2007
	HK$'000	HK$'000
Guarantees given to banks		
in connection with facilities granted to subsidiaries	**179,390**	152,340

As at 31 December 2008, the banking facilities granted to the subsidiaries subject to guarantees given to the banks by the Company were utilised to the extent of approximately HK$66,886,000 (2007: HK$74,762,000).

At the balance sheet date, the Group had no significant contingent liabilities.

39. PLEDGE OF ASSETS

Details of the Group's bank loans and other borrowings and bills payable, which are secured by certain assets of the Group, are included in notes 24, 28 and 30.

40. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 14) under operating lease arrangements, with leases negotiated for terms ranging from one to nine years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the prevailing market conditions.

At 31 December 2008, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Within one year	**3,108**	4,581
In the second to fifth years, inclusive	**3,763**	3,996
After five years	**—**	374
	6,871	8,951

(b) As lessee

The Group leases certain of its properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to six years.

At 31 December 2008, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**4,541**	5,999	**44**	34
In the second to fifth years, inclusive	**7,604**	7,039	**—**	—
After five years	**325**	419	**—**	—
	12,470	13,457	**44**	34

41. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 40(b) above, the Group had the following capital commitments at the balance sheet date:

		Group	
	Notes	**2008**	2007
		HK$'000	HK$'000
Contracted, but not provided for:			
Purchases of land use rights	(b), (c)	**4,723**	1,866
Capital contribution to subsidiaries	(a), (b)	**34,100**	39,019
Purchases of items of property, plant and equipment		**8,579**	2,768
		47,402	43,653
Authorised, but not contracted for:			
Capital contribution to a subsidiary	(d)	**19,134**	19,267
		66,536	62,920

Notes:

(a) On 25 June 2007, the Group entered into an agreement with the Xuzhou Authority to increase the registered share capital of the Xuzhou Subsidiary by US$2,000,000. The Group had not made additional capital contribution to the Xuzhou Subsidiary at 31 December 2007 and 2008.

(b) On 21 September 2006, the Group entered into agreements with the government of Xinfeng, Guangdong Province, the PRC to purchase a piece of land located in Xinfeng, at a consideration of RMB2,494,000. The Group had paid RMB748,000 for the purchase of land as at 31 December 2007 with the remaining balance of RMB1,746,000 paid in 2008.

Pursuant to the agreements, the Group was also required to set up a wholly-owned subsidiary with registered share capital of US$3,000,000. At 31 December 2008, the Group had paid contribution of US$600,000 (2007: Nil).

(c) On 21 January 2008, the Group entered into an agreement with the government of Xinfeng, Guangdong Province, the PRC to purchase another piece of land located in Xinfeng, at a consideration of RMB8,220,000, of which RMB4,062,000 had been paid by the Group at 31 December 2008.

(d) On 18 September 2007, the Group approved the increase of the registered share capital of a wholly-owned subsidiary in the amount of US$3,100,000. The Group had paid contribution of US$631,000 at 31 December 2007 and 2008.

At the balance sheet date, the Company had no significant capital commitments.

42. RELATED PARTY TRANSACTIONS

(a) Outstanding balances with related parties

Details of the Group's balances with its associates as at the balance sheet date are disclosed in note 19.

(b) Compensation of key management personnel of the Group

	2008	2007
	HK$'000	HK$'000
Short term employee benefits	**19,571**	19,365
Post-employment benefits	**865**	762
Total compensation paid to key management personnel	**20,436**	20,127

Further details of directors' emoluments are included in note 8.

43. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows:

2008

Group

Financial assets

	Financial assets at fair value through profit or loss -held for trading HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Available-for-sale investments	—	—	123,163	123,163
Long term receivable	—	757	—	757
Trade receivables	—	159,028	—	159,028
Financial assets included in prepayments, deposits and other receivables *(note 25)*	—	9,469	—	9,469
Loans to associates *(note 19)*	—	1,521	—	1,521
Due from an associate	—	1,523	—	1,523
Equity investment at fair value through profit or loss	31	—	—	31
Cash and cash equivalents	—	121,767	—	121,767
	31	294,065	123,163	417,259

43. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows: (continued)

2008

Group

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Due to an associate *(note 19)*	3,750
Trade and bills payables	85,249
Financial liabilities included in other payables and accruals *(note 29)*	35,063
Interest-bearing bank and other borrowings	143,432
	267,494

43. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows: (continued)

2007

Group

Financial assets

	Financial assets at fair value through profit or loss -held for trading	Loans and receivables	Available-for-sale financial assets	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Available-for-sale investments	—	—	167,077	167,077
Long term receivable	—	1,212	—	1,212
Trade receivables	—	106,508	—	106,508
Financial assets included in prepayments, deposits and other receivables *(note 25)*	—	10,987	—	10,987
Equity investment at fair value through profit or loss	119	—	—	119
Pledged deposits	—	14,238	—	14,238
Cash and cash equivalents	—	157,064	—	157,064
	119	290,009	167,077	457,205

43. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows: (continued)

2007

Group

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Trade and bills payables	104,098
Financial liabilities included in other payables and accruals *(note 29)*	26,989
Interest-bearing bank and other borrowings	102,971
	234,058

Financial assets

	Company	
	2008 **Loans and receivables** **HK$'000**	2007 Loans and receivables HK$'000
Due from subsidiaries, net of impairment	**448,457**	546,807
Financial assets included in prepayments, deposits and other receivables *(note 25)*	**1,200**	596
Cash and cash equivalents	**6,004**	8,922
	455,661	556,325

43. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows: (continued)

Financial liabilities

	Company	
	2008	2007
	Financial liabilities at amortised cost	Financial liabilities at amortised cost
	HK$'000	HK$'000
Due to subsidiaries *(note 18)*	**676**	696
Financial liabilities included in other payables and accruals *(note 29)*	**368**	576
Interest-bearing bank and other borrowings	**34**	51
	1,078	1,323

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans, other borrowings and cash and term deposits. The main purpose of these financial instruments is to finance the Group's operations. The Group has various other financial assets and liabilities, such as trade receivables, available-for-sale investments, and trade and bills payables, which arise directly from its operations.

It is, and has been, throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group's policies for managing each of these risks are as follows:

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk

The Group is exposed to interest rate risks due to changes in interest rates of interest-bearing financial assets and liabilities. Interest-bearing financial assets are mainly deposits with banks which are mostly short term in nature whereas interest-bearing financing liabilities are mainly bank borrowings with primarily floating interest rates. The Group is therefore exposed to interest rate risk. The Group's policy is to obtain the most favourable interest rates available.

The Company does not expose to any significant interest rate risk at the balance sheet date.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings). There is no impact on the Group's equity.

	Group	
	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax HK$'000
2008		
HK$	**50**	**(328)**
RMB	**50**	**412**
HK$	**(50)**	**328**
RMB	**(50)**	**(412)**
2007		
HK$	50	(295)
RMB	50	523
HK$	(50)	295
RMB	(50)	(523)

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currency. The Group's main operating subsidiaries are located in Hong Kong and Mainland China and the Group's sales and purchases were mainly conducted in Hong Kong dollars and Renminbi. The Group also has significant investments in Mainland China and its balance sheet, with a portion of its bank loans denominated in Renminbi included, can be affected by movements in the exchange rate between Hong Kong dollars and Renminbi.

The following table demonstrates the sensitivity at the balance sheet date to a reasonably possible change in the Renminbi exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity.

	Increase/ (decrease) in RMB rate	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity*
	%	HK$'000	HK$'000
2008			
If HK$ weakens against RMB	**5**	**(720)**	**12,864**
If HK$ strengthens against RMB	**(5)**	**720**	**(12,864)**
2007			
If HK$ weakens against RMB	5	(228)	2,022
If HK$ strengthens against RMB	(5)	228	(2,022)

* Excluding retained earnings/accumulated losses

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures and cash collateral may be required. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise pledged deposits, cash and cash equivalents, available-for-sale financial assets and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. The Company is also exposed to credit risk through the granting of financial guarantees to its subsidiaries, further details of which are disclosed in note 38.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and overdrafts. The Group's policy is to regularly monitor the current and expected liquidity requirements, to ensure that it maintains sufficient reserves of cash and available banking facilities to meet its liquidity requirements in short and longer terms.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

The maturity profile of the Group's financial liabilities as at the balance sheet date, based on the contractual undiscounted payments, was as follows:

Group

2008

	On demand or no fixed terms HK$'000	Less than one year HK$'000	One to five years HK$'000	Over five years HK$'000	Total HK$'000
Finance lease payables	—	1,127	1,109	—	2,236
Interest-bearing bank and other borrowings	—	84,784	30,366	35,627	150,777
Due to an associate	3,750	—	—	—	3,750
Trade and bills payables	—	85,249	—	—	85,249
Other payables	24,437	10,626	—	—	35,063
	28,187	181,786	31,475	35,627	277,075

2007

	On demand or no fixed terms HK$'000	Less than one year HK$'000	One to five years HK$'000	Over five years HK$'000	Total HK$'000
Finance lease payables	—	840	1,177	—	2,017
Interest-bearing bank and other borrowings	—	37,355	25,830	37,769	100,954
Trade and bills payables	—	104,098	—	—	104,098
Other payables	25,303	1,686	—	—	26,989
	25,303	143,979	27,007	37,769	234,058

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

The maturity profile of the Group's financial liabilities as at the balance sheet date, based on the contracted undiscounted payments, was as follows: (continued)

Company

2008

	On demand or no fixed terms HK$'000	Less than one year HK$'000	One to five years HK$'000	Over five years HK$'000	Total HK$'000
Due to subsidiaries	**676**	**—**	**—**	**—**	**676**
Finance lease payables	**—**	**21**	**16**	**—**	**37**
Other payables	**—**	**368**	**—**	**—**	**368**
	676	**389**	**16**	**—**	**1,081**

Company

2007

	On demand or no fixed terms HK$'000	Less than one year HK$'000	One to five years HK$'000	Over five years HK$'000	Total HK$'000
Due to subsidiaries	696	—	—	—	696
Finance lease payables	—	17	34	—	51
Other payables	—	576	—	—	576
	696	593	34	—	1,323

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2008 and 31 December 2007.

The Group monitors capital using a gearing ratio, which is bank and other borrowings divided by the adjusted capital, being equity attributable to equity holders of the parent less unrealised leasehold land and building revaluation reserve and investment property revaluation reserve. The gearing ratios as at the balance sheet dates were as follows:

Group

	2008	2007
	HK$'000	HK$'000
Bank and other borrowings	**143,432**	102,971
Equity attributable to equity holders of the parent	**623,540**	679,884
Less: Unrealised leasehold land and building revaluation reserve	**(41,732)**	(41,381)
Investment property revaluation reserve	**(13,557)**	(13,557)
Adjusted capital	**568,251**	624,946
Gearing ratio	**25.2%**	16.5%

45. COMPARATIVE AMOUNTS

During the year, the Group has determined that iron and steel trading is one of its principal activities and therefore, iron and steel trading is presented as a reportable segment. Segment information for the year ended 31 December 2007 has been restated to conform with the current year's presentation. In the opinion of the Company's directors, such reclassification will allow a more appropriate presentation and better reflects the nature of the transactions/balances.

46. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 7 April 2009.

INVESTMENT PROPERTIES

Location	Percentage of interest in property attributable to the Group	Type of existing leasehold	Existing use
Units A, B, C and D, 28th Floor CNT Tower No. 338 Hennessy Road Wanchai Hong Kong	100	Long term	Commercial
18th Floor, CNT Tower No. 338 Hennessy Road Wanchai Hong Kong	100	Long term	Commercial
Car Parking Space No. 108 CNT Tower No. 338 Hennessy Road Wanchai Hong Kong	100	Long term	Commercial
Ground Floor, 1st Floor, 2nd Floor and 3rd Floor China Paint Industrial Building Lot No. 991 in Demarcation District 215 Hong Ting Road Tui Min Hoi Sai Kung New Territories Hong Kong	100	Medium term	Industrial
Factory Complex, Ling Dong Road Xin Hua Gangkou Industrial Development Zone, Hua Du Guangdong Province the PRC	100	Medium term	Industrial
Lot No. 738 in Demarcation District No.2 Mui Wo Lantau Island Hong Kong	100	Medium term	Non-industrial

PROPERTIES UNDER DEVELOPMENT

Location	Percentage of interest in property attributable to the Group	Existing Use	Approximate site/ gross floor area	Expected completion date	Stage of completion
Lot Nos. 879, 880A1, 880B1, 881 to 885, 889RP, 891, 1318, 1326 and 1344 in Demarcation District No. 115 Au Tau Yuen Long New Territories Hong Kong	100	Agricultural and house lots	3,700 sq. m.	2013	Planning application in progress

CNT GROUP LIMITED
(北海集團有限公司)