



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)



年報
Annual Report

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BOARD OF DIRECTORS

Executive Directors

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



In 2009, a series of extraordinary stimulus packages were implemented by governments worldwide to cope with a financial crisis. With the launch of the Chinese Government Economic Stimulus Package, the Group continued to gain growth momentum in Mainland China as a result of the growth in the domestic China market. The Group's revenue for the year amounted to approximately HK\$1,026.56 million, representing an increase of approximately 9.0% when compared with that of last year. The growth was mainly attributable to the increase in revenue by HK\$132.49 million to approximately HK\$935.89 million from the Group's paint operation.

RESULTS

The Group recorded a profit attributable to the equity owners of the parent company for the year of approximately HK\$32.41 million, as compared to a loss of approximately HK\$71.52 million last year.

Revenue for the year amounted to approximately HK\$1,026.56 million, an increase of approximately HK\$84.74 million compared with last year. Gross profit increased by approximately 38.0% when compared with that of last year to approximately HK\$347.11 million. The increase was mainly due to the increase in gross profit of paint operations.

OPERATIONS

Paint products

Revenue for the year amounted to approximately HK\$935.89 million, representing an increase of approximately 16.5% when compared with that of last year. The operation focused its business on the Mainland China market and achieved an increase of approximately 18.5% in revenue over that of 2008. The Group will continue to focus on Mainland China market. Operating profit for the year amounted to approximately HK\$79.87 million representing an increase of approximately 193.4% when compared with that of last year. This was mainly due to the implementation of cost control measures in production together with raw material costs reduction during the year.

The Group has started to set up new manufacturing lines through the factory and buildings to be constructed on our existing land located in Shanghai, PRC. It is expected that trial production will commence in late 2010. The estimated total costs for the new manufacturing lines and the new factory and buildings, including the respective land use right, will be approximately HK\$56.68 million, which will be financed partly by internal resources of the Group and partly by bank loans and facilities. The Group believes that the new manufacturing lines and the new factory and buildings would enable the Group to enhance its overall production capacity and to effectively control its manufacturing and production costs to cope with the future business expansion of the Group.

During the year, the Group participated in the 44th Hong Kong Brands and Product Expo ("Expo") in Hong Kong to promote the brands of our paint products. In the Expo, the Group has launched a new product namely "CP88" which is a high quality multi-purpose anti-rust lubricant oil.



OPERATIONS (continued)**Property investment**

Revenue for the year amounted to approximately HK\$6.68 million which was nearly same as last year. Operating profit for the year amounted to approximately HK\$8.13 million compared with a loss of approximately HK\$20.91 million last year. The Group has recorded a net increase in fair value of approximately HK\$2.67 million on our investment properties and properties under development this year as compared to a decrease in fair value of approximately HK\$23.30 million last year.

Iron and steel trading

Revenue for the year amounted to approximately HK\$83.99 million, representing a decrease of approximately 36.3% when compared with that of last year. Operating loss for the year amounted to approximately HK\$0.63 million as compared to a profit of approximately HK\$1.71 million last year. The decrease in revenue and commission income during the year resulted in operating loss for the year.

Available-for-sale investments

The Group has an effective interest of 11.7% in the cemetery project situated in Sihui, Guangdong Province, the PRC. 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 special 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 visits of the cemetery, blessing ceremonies in the cemetery to boost publicity.

OUTLOOK

Looking ahead, it is expected that 2010 will be challenging but full of opportunities. While the PRC government will continue to maintain the continuation and stability of its macro-economic policies, it will further enhance the quality and efficiency of economic growth, which will be favorable to the stable recovery of the economy. The PRC will continue to lead the world in economic recovery and its domestic consumer market will continue to grow at a fast pace.

The Group will strive to enhance its competitive edge by strengthening marketing channels and sales networks and at the same time developing new products with technological innovation and environment-friendly. With reference to our prestigious brand, unmatched quality, innovated technology and efficient production scale, the Group is confident to becoming a leading manufacturer of a high quality green and safe paint products.

Lastly, the Group is deeply saddened by the demise of our Honorary Chairman, Mr. Tsui Tsin Tong in Beijing on 2 April 2010. Mr. Tsui made invaluable contributions and provided great leadership and guidance to the establishment and development of the Group during the past 25 years. Since the Group is long standing and well-established, there will be no significant impact on its operation and development.

RESULTS

The Group recorded a profit attributable to equity owners of the parent company of approximately HK\$32.41 million for the year as compared to a loss of approximately HK\$71.52 million last year. Revenue for the year amounted to approximately HK\$1,026.56 million, representing an increase of approximately 9.0% when compared with that of last year. Gross profit for the year amounted to approximately HK\$347.11 million, representing an increase of approximately 38.0% when compared with that of last year. The increase in gross profit was mainly due to the combined effect of the growth in sales revenue and the implementation of cost-saving measures from paint operations. Together with the net fair value gains on our investment properties and properties under development, the Group's result turned into profit this year.

SEGMENT INFORMATION

Business segments

Paint operation continues to be the principal business of the Group with a revenue of approximately HK\$935.89 million accounting for approximately 91.2% of the Group's total revenue. It also represents an increase of approximately 16.5% when compared with that of last year. Due to the increase in revenue and gross profit for the year, segment result for the year amounted to approximately HK\$79.87 million representing an increase of approximately 193.4% when compared with that of last year. This was mainly due to the implementation of cost control measures in production together with raw material costs reduction during the year.

Property investment operation reported a revenue of approximately HK\$6.68 million, representing approximately 0.7% of the Group's total revenue. Segment result for the year amounted to a profit of approximately HK\$8.13 million compared with a loss of approximately HK\$20.91 million last year. This was mainly due to the net increase in fair value of approximately HK\$2.67 million on our investment properties and properties under development this year.

Iron and steel operation reported a revenue of approximately HK\$83.99 million, representing a decrease of approximately 36.3% when compared with that of last year. This was mainly due to drop in demand in iron and steel products by the ultimate overseas customers.

Geographical segments

All of the Group's business is mainly in Mainland China and Hong Kong. Revenue from operations in Mainland China and Hong Kong amounted to approximately HK\$935.77 million (2008: HK\$850.39 million) and approximately HK\$90.78 million (2008: HK\$91.41 million) respectively.

LIQUIDITY AND FINANCIAL INFORMATION

The Group's business operation is generally financed by its internal funding and bank borrowings. Total cash balances amounted to approximately HK\$145.02 million as at 31 December 2009 compared with approximately HK\$121.77 million as at 31 December 2008. Bank and other borrowings amounted to approximately HK\$149.09 million as at 31 December 2009 compared with approximately HK\$143.43 million as at 31 December 2008. The Group's bank and other borrowings mainly bear interest at floating rates. Of the Group's total bank and other borrowings as at 31 December 2009, approximately HK\$98.23 million (65.9%) is payable within one year, approximately HK\$5.74 million (3.8%) is payable in the second year, approximately HK\$16.24 million (10.9%) is payable in the third to fifth years and the remaining balance of HK\$28.88 million (19.4%) is payable beyond the fifth year.

The Group's cash, bank balances and bank and other borrowings were mainly denominated in Hong Kong Dollars and Renminbi. The Group's result can be affected by movements in the exchange rate between Hong Kong Dollars and Renminbi. However, in view of the strong and supportive treasury policy in Mainland China, the Renminbi exchange rate is expected to remain relatively stable and hence the Group's currency exposure is not significant. The Group considers that no hedging measures are necessary.

Gearing ratio of the Group which expressed as a percentage of total bank and other borrowings to adjusted capital (as defined below) was 24.8% as at 31 December 2009 compared with 25.2% as at 31 December 2008. Liquidity ratio of the Group which is expressed as a percentage of current assets to current liabilities was 1.25 times as at 31 December 2009 compared with 1.34 times as at 31 December 2008.

Equity and net assets value

Shareholders' funds of the Group as at 31 December 2009 was approximately HK\$655.75 million compared with approximately HK\$623.54 million as at 31 December 2008. Adjusted capital of the Group, being shareholders' funds less the unrealized leasehold land and building revaluation reserve and investment property revaluation reserve, as at 31 December 2009 was approximately HK\$600.46 million compared with approximately HK\$568.25 million as at 31 December 2008. Net assets value per share as at 31 December 2009 was HK\$0.42 compared with HK\$0.40 as at 31 December 2008.

LIQUIDITY AND FINANCIAL INFORMATION (continued)

Contingent liabilities

At 31 December 2009, guarantee issued by the Company to bankers to secure general banking facilities granted to various subsidiaries outstanding as at 31 December 2009 amounted to HK\$80.27 million compared with HK\$66.89 million as at 31 December 2008.

Pledge of assets

Certain land and buildings, investment properties, trade receivables and cash deposits with aggregate net book value of HK\$463.57 million (31 December 2008: HK\$444.23 million) were pledged as collaterals for bank and other borrowings. At 31 December 2009, total outstanding secured bank and other borrowings amounted to HK\$126.69 million as compared with HK\$132.64 million as at 31 December 2008.

STAFF

Headcount as at 31 December 2009 was 1,532 (31 December 2008: 1,182). Staff costs (excluding directors' emoluments) amounted to HK\$126.98 million for the year as compared with HK\$115.67 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 2009, 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) (<i>passed away on 2 April 2010</i>) 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

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 more than 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 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 thirteen 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 (<i>passed away on 2 April 2010</i>)	4/13	2/2
Lam Ting Ball, Paul	13/13	2/2
Tsui Ho Chuen, Philip	13/13	2/2
Tsui Yam Tong, Terry	12/13	2/2
Chong Chi Kwan	11/13	2/2
Non-executive Directors		
Hung Ting Ho, Richard	1/13	2/2
Zhang Yulin	1/13	2/2
Ko Sheung Chi	3/13	2/2



THE BOARD (continued)

	Number of board meetings (comprising four regular meetings) attended/held	Number of resolutions in writing in lieu of meeting consented/passed
Independent Non-executive Directors		
Sir David Akers-Jones	4/13	2/2
Danny T Wong	4/13	2/2
Chan Wa Shek	4/13	2/2
Steven Chow	4/13	2/2

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.

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 were 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 2008 annual results and the 2009 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 and resolved by resolutions in writing to review and approve the remuneration policy and the remuneration packages of the directors, the adjustment of the housing allowances given to the executive directors and a payment representing the present value of the contributions of the Group's pension scheme entitled by an executive director. The attendance record of each committee member is set out below:

Directors	Number of committee meetings attended/held	Number of resolutions in writing in lieu of meeting consented/passed
Sir David Akers-Jones (Chairman)	1/1	1/1
Lam Ting Ball, Paul	1/1	1/1
Chan Wa Shek	1/1	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 2009.

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 were 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 2009, 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	2,100,000
Non-audit services	168,000
	<hr/>
	2,268,000
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The non-audit services rendered by the external auditors included: performance of agreed-upon procedures on the Group's 2009 interim financial statements and the audit examination of the statement on details of contributions 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 unauthorised 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 2009, 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 2009 annual general meeting of the Company provided an opportunity for communication between the shareholders and the board, at which the chairmen 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 procedures for conducting a poll were explained at the commencement of the meeting. In accordance with the Listing Rules, the votes of shareholders at the meeting were taken by poll and the 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 2009 for the shareholders' approval were passed.

On behalf of the board of
CNT GROUP LIMITED

Lam Ting Ball, Paul

Chairman

15 April 2010

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2009.

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 profit for the year ended 31 December 2009 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 152.

The directors do not recommend the payment of any dividend for the year ended 31 December 2009.

MAJOR SUPPLIERS AND CUSTOMERS

In the year under review, purchases from the Group's five largest suppliers accounted for less than 30% of the total purchases for the year. Sales to the Group's five largest customers accounted for less than 30% of the total sales for the year.



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				
	2009	2008	2007	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
RESULTS					
CONTINUING OPERATIONS					
Revenue	1,026,560	941,817	734,806	611,052	551,244
Operating profit/(loss)	53,623	(63,815)	19,094	8,474	(839)
Share of profits and losses of associates	864	873	885	1,936	396
Profit/(loss) before tax	54,487	(62,942)	19,979	10,410	(443)
Income tax expenses	(22,219)	(8,237)	(10,976)	(3,505)	(2,705)
Profit/(loss) from continuing operations	32,268	(71,179)	9,003	6,905	(3,148)
DISCONTINUED OPERATIONS					
Gain on disposal of discontinued operations	—	—	—	11,581	—
Loss from discontinued operations	—	—	—	—	(3,719)
Profit/(loss) for the year	32,268	(71,179)	9,003	18,486	(6,867)
PROFIT/(LOSS) ATTRIBUTABLE TO:					
Owners of the parent	32,406	(71,515)	12,302	18,739	(7,865)
Minority interests	(138)	336	(3,299)	(253)	998
	32,268	(71,179)	9,003	18,486	(6,867)
ASSETS, LIABILITIES AND MINORITY INTERESTS					
Total assets	1,100,349	969,452	990,761	903,881	1,236,798
Total liabilities	(440,546)	(341,718)	(307,245)	(227,410)	(590,633)
Minority interests	(4,056)	(4,194)	(3,632)	(6,699)	(6,051)
	655,747	623,540	679,884	669,772	640,114

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 153.

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 154.

SHARE CAPITAL

Details of the Company's share capital 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(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2009, 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\$1,715,000.

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 (*passed away on 2 April 2010*)

Lam Ting Ball, Paul

Tsui Ho Chuen, Philip

Tsui Yam Tong, Terry

Chong Chi Kwan

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. Hung Ting Ho, Richard, Zhang Yulin and Danny T Wong 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				
Lam Ting Ball, Paul	68	Chairman	37	More than 37 years' experience in the paint industry
Tsui Ho Chuen, Philip	46	Executive Deputy Chairman	25	Solicitor
Tsui Yam Tong, Terry	64	Managing Director	23	More than 37 years' experience in administration and management
Chong Chi Kwan	42	Finance Director	4	More than 18 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	56	Non-executive Director	8	More than 32 years' experience in business and financial management
Zhang Yulin	46	Non-executive Director	3	More than 13 years' experience in finance and management
Ko Sheung Chi	53	Non-executive Director	3	More than 29 years' experience in general management
Independent Non-executive Directors				
Sir David Akers-Jones GBM, KBE, CMG, JP	83	Deputy Chairman and Independent Non-executive Director	19	Former Chief Secretary specialising in land planning and housing development
Danny T Wong	64	Independent Non-executive Director	6	More than 35 years' experience in finance, accounting and management
Chan Wa Shek CBE, ISO	79	Independent Non-executive Director	3	Former Commissioner of Correctional Services of Hong Kong
Steven Chow	65	Independent Non-executive Director	3	More than 33 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 three directors, namely, Messrs. Lam Ting Ball, Paul, Tsui Ho Chuen, Philip and Tsui Yam Tong, Terry.

Notes:

- (1) Mr. Tsui Yam Tong, Terry is the uncle of Mr. Tsui Ho Chuen, Philip.
- (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 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”).
- (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.

CHANGES IN DIRECTORS’ INFORMATION

Pursuant to Rule 13.51B(1) of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the changes in the information of the directors are as follows:

- (i) Mr. Tsui Tsin Tong (passed away on 2 April 2010) was appointed as an independent non-executive director of Skyworth Digital Holdings Limited, a company listed on the Stock Exchange, on 12 November 2009.
- (ii) Dr. Steven Chow resigned as an independent non-executive director of C Y Foundation Group Limited, a company listed on the Stock Exchange, on 21 December 2009.

DIRECTORS’ INTERESTS IN CONTRACTS

None of the directors had a material interest, either direct or indirect, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party 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) 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 Listing Rules.

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

Save as disclosed in the section "Share option scheme" below, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouses or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Company's directors to acquire such rights in any other body corporate.

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

As at 31 December 2009, 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

Name	Note	Capacity	Number of shares				Total	Percentage of issued share capital
			Personal interests	Family interests	Corporate interests	Other interests		
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 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 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 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 2009, 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 2009, 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%
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%

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
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%
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%



INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

(continued)

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 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 the late Mr. Tsui Tsin Tong (passed away on 2 April 2010) 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.

- (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.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

(continued)

Notes: (continued)

- (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 2009 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 2009 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

15 April 2010

 **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 152, which comprise the consolidated and company statements of financial position as at 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows 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 2009 and of the Group's profit 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

15 April 2010

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2009

	Notes	2009 HK\$'000	2008 HK\$'000
REVENUE	5	1,026,560	941,817
Cost of sales		(679,455)	(690,358)
Gross profit		347,105	251,459
Other income and gains	5	7,998	17,576
Selling and distribution costs		(169,549)	(143,326)
Administrative expenses		(125,809)	(112,772)
Other expenses, net		(2,461)	(652)
		57,284	12,285
Fair value gains/(losses) on investment properties, net	14	6,672	(9,051)
Impairment of properties under development	15	(4,000)	(14,247)
Impairment of available-for-sale investments	20	—	(43,914)
Loss on disposal of a subsidiary	36	—	(2,837)
Finance costs	7	(6,333)	(6,051)
Share of profits and losses of associates		864	873
PROFIT/(LOSS) BEFORE TAX	6	54,487	(62,942)
Income tax expenses	10	(22,219)	(8,237)
PROFIT/(LOSS) FOR THE YEAR		32,268	(71,179)
PROFIT/(LOSS) ATTRIBUTABLE TO:			
Owners of the parent	11	32,406	(71,515)
Minority interests		(138)	336
		32,268	(71,179)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
Basic and diluted		HK2.06 cents	(HK4.54 cents)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2009

	Note	2009 HK\$'000	2008 HK\$'000
PROFIT/(LOSS) FOR THE YEAR		<u>32,268</u>	<u>(71,179)</u>
OTHER COMPREHENSIVE INCOME/(LOSS)			
Deferred taxation included in leasehold land and building revaluation reserve	32	—	351
Exchange differences on translation of foreign operations		<u>(199)</u>	<u>12,186</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		<u>(199)</u>	<u>12,537</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		<u><u>32,069</u></u>	<u><u>(58,642)</u></u>
TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO:			
Owners of the parent		32,207	(59,202)
Minority interests		<u>(138)</u>	<u>560</u>
		<u><u>32,069</u></u>	<u><u>(58,642)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2009

	Notes	2009 HK\$'000	2008 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	316,697	292,871
Investment properties	14	128,725	121,517
Properties under development	15	28,000	32,000
Prepaid land premiums	16	22,248	21,321
Intangible asset	17	2,850	3,000
Interests in associates	19	3,180	3,461
Available-for-sale investments	20	123,163	123,163
Deposits for purchases of items of property, plant and equipment	21	9,231	10,976
Long term receivable	24	—	757
Net pension scheme assets	22	1,990	2,199
Total non-current assets		636,084	611,265
CURRENT ASSETS			
Inventories	23	74,782	61,934
Trade and bills receivables	24	217,254	159,028
Prepayments, deposits and other receivables	25	27,121	13,904
Due from an associate	19	—	1,523
Equity investment at fair value through profit or loss	26	86	31
Pledged deposits	27	5,097	—
Cash and cash equivalents	27	139,925	121,767
Total current assets		464,265	358,187
CURRENT LIABILITIES			
Trade and bills payables	28	147,445	85,249
Other payables and accruals	29	110,182	92,052
Due to an associate	19	1,600	—
Interest-bearing bank and other borrowings	30	98,230	82,971
Tax payable		12,873	6,336
Total current liabilities		370,330	266,608
NET CURRENT ASSETS		93,935	91,579
TOTAL ASSETS LESS CURRENT LIABILITIES		730,019	702,844

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

31 December 2009

	Notes	2009 HK\$'000	2008 HK\$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		730,019	702,844
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	30	50,858	60,461
Deferred tax liabilities	32	14,884	9,884
Deferred income	33	4,474	4,765
Total non-current liabilities		70,216	75,110
Net assets		659,803	627,734
EQUITY			
Equity attributable to owners of the parent			
Issued capital	34	157,367	157,367
Reserves	35(a)	498,380	466,173
		655,747	623,540
Minority interests		4,056	4,194
Total equity		659,803	627,734

Lam Ting Ball, Paul
Director

Tsui Ho Chuen, Philip
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2009

	Attributable to owners of the parent											
	Issued share capital HK\$'000 (note 34)	Share premium account 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/ losses (accumulated) HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total equity HK\$'000
At 1 January 2008	157,367	6,655	377,677	41,381	13,557	10,144	(2,335)	28,866	46,592	679,884	3,652	683,516
Total comprehensive income/ (loss) for the year	—	—	—	351	—	—	11,962	—	(71,515)	(59,202)	560	(58,642)
Disposal of a subsidiary	—	—	—	—	—	—	2,858	—	—	2,858	—	2,858
Contribution from a minority shareholder	—	—	—	—	—	—	—	—	—	—	2	2
At 31 December 2008 and at 1 January 2009	157,367	6,655*	377,677*	41,732*	13,557*	10,144*	12,485*	28,866*	(24,923)*	623,540	4,194	627,734
Total comprehensive income/ (loss) for the year	—	—	—	—	—	—	(199)	—	32,406	32,207	(138)	32,069
At 31 December 2009	157,367	6,655*	377,677*	41,732*	13,557*	10,144*	12,286*	28,866*	7,483*	655,747	4,056	659,803

* 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 transferred to retained profits/set off against accumulated losses only upon the disposal or retirement of the relevant assets and such transfer is not made in 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\$498,380,000 (2008: HK\$466,173,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2009

	Notes	2009 HK\$'000	2008 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		54,487	(62,942)
Adjustments for:			
Finance costs	7	6,333	6,051
Share of profits and losses of associates		(864)	(873)
Bank interest income	5	(601)	(1,648)
Interest income from a long term receivable	5	(29)	(48)
Depreciation	13	21,612	18,225
Amortisation of an intangible asset	6	150	—
Recognition of prepaid land premiums	16	477	456
Recognition of deferred income	5	(291)	(287)
Loss/(gain) on disposal of items of property, plant and equipment, net	5,6	1	(316)
Write-off of items of property, plant and equipment	6	768	470
Fair value losses/(gains) on investment properties, net	14	(6,672)	9,051
Fair value loss/(gain) on an equity investment at fair value through profit or loss - held for trading	5,6	(55)	88
Impairment of properties under development	15	4,000	14,247
Loss on disposal of a subsidiary	36	—	2,837
Impairment of available-for-sale investments	20	—	43,914
Write-down of inventories to net realisable value	6	7,892	1,999
Impairment of trade receivables	6	4,737	2,748
Impairment/(write-back of impairment) of amounts due from an associate	5,6	1,585	(1,523)
		93,530	32,449
Decrease/(increase) in inventories		(20,740)	5,855
Increase in trade and bills receivables		(62,963)	(50,071)
Decrease/(increase) in prepayments, deposits and other receivables		(13,209)	241
Increase/(decrease) in trade and bills payables		62,196	(24,574)
Increase in other payables and accruals		18,643	11,831
Exchange realignment		(692)	(3,616)
Cash generated from/(used in) operations		76,765	(27,885)

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

Year ended 31 December 2009

	Notes	2009 HK\$'000	2008 HK\$'000
Cash generated from/(used in) operations		76,765	(27,885)
Interest paid		(6,738)	(5,983)
Interest element of finance lease rental payments		(107)	(114)
Overseas taxes paid		(10,145)	(9,663)
Hong Kong profits tax refunded/(paid)		(537)	185
Net cash flows from/(used in) operating activities		59,238	(43,460)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(37,456)	(43,526)
Proceeds from disposal of items of property, plant and equipment		429	627
Additions to properties under development		—	(247)
Additions to investment properties	14	(536)	(868)
Investment in an associate		(1,417)	(250)
Advances to associates		(113)	(1,521)
Repayment from an associate		1,523	—
Addition to an intangible asset		—	(3,000)
Proceeds from disposal of a subsidiary	36	—	7
Repayment of a long term receivable		757	455
Contribution from a minority shareholder		—	2
Decrease/(increase) in net pension scheme assets		209	(459)
Interest received		630	1,560
Dividend received from an associate		1,090	951
Deposits paid for purchases of items of property, plant and equipment	21	(7,097)	(6,414)
Decrease/(increase) in time deposits with original maturity of more than three months when acquired		(2,194)	7,824
Net cash flows used in investing activities		(44,175)	(44,859)

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

Year ended 31 December 2009

	Notes	2009 HK\$'000	2008 HK\$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		82,831	76,289
Repayment of bank loans		(75,630)	(34,384)
Repayment of other loan		(1,659)	(2,272)
Advance from an associate		1,600	—
Capital element of finance lease rental payments		(1,149)	(1,106)
Net cash flows from financing activities		<u>5,993</u>	<u>38,527</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of year		117,065	159,520
Effect of foreign exchange rate changes, net		5	7,337
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u><u>138,126</u></u>	<u><u>117,065</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	27	129,929	105,500
Non-pledged time deposits with original maturity of less than three months when acquired	27	5,680	11,565
Pledged time deposits with original maturity of less than three months when acquired	27	<u>2,517</u>	<u>—</u>
Cash and cash equivalents as stated in the statement of cash flows		138,126	117,065
Time deposits with original maturity of more than three months when acquired	27	<u>6,896</u>	<u>4,702</u>
Cash and cash equivalents as stated in the statement of financial position		<u><u>145,022</u></u>	<u><u>121,767</u></u>

STATEMENT OF FINANCIAL POSITION

31 December 2009

	Notes	2009 HK\$'000	2008 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	217	276
Interests in subsidiaries	18	431,022	460,537
Total non-current assets		431,239	460,813
CURRENT ASSETS			
Prepayments, deposits and other receivables	25	636	1,200
Cash and cash equivalents	27	10,574	6,004
Total current assets		11,210	7,204
CURRENT LIABILITIES			
Other payables and accruals	29	3,505	2,976
Interest-bearing other borrowings	30	9	19
Total current liabilities		3,514	2,995
NET CURRENT ASSETS		7,696	4,209
TOTAL ASSETS LESS CURRENT LIABILITIES		438,935	465,022
NON-CURRENT LIABILITIES			
Interest-bearing other borrowings	30	6	15
Net assets		438,929	465,007
EQUITY			
Issued capital	34	157,367	157,367
Reserves	35(b)	281,562	307,640
Total equity		438,929	465,007

Lam Ting Ball, Paul
Director

Tsui Ho Chuen, Philip
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 and related services
- 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 (the “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, 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.

2.1 BASIS OF PREPARATION (continued)

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 2009. 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.

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 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year’s financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised HKFRSs has had no significant effect on these financial statements.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of HKFRSs</i> and HKAS 27 <i>Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i>
HKFRS 2 Amendments	Amendments to HKFRS 2 <i>Share-based Payment - Vesting Conditions and Cancellations</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures - Improving Disclosures about Financial Instruments</i>
HKFRS 8	<i>Operating Segments</i>
HKFRS 8 Amendment*	Amendment to HKFRS 8 <i>Operating Segments - Disclosure of information about segment assets</i> (early adopted)
HKAS 1 (Revised)	<i>Presentation of Financial Statements</i>
HKAS 18 Amendment*	Amendment to Appendix to HKAS 18 <i>Revenue - Determining whether an entity is acting as a principal or as an agent</i>
HKAS 23 (Revised)	<i>Borrowing Costs</i>
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation</i> and HKAS 1 <i>Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation</i>
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 <i>Reassessment of Embedded Derivatives</i> and HKAS 39 <i>Financial Instruments: Recognition and Measurement - Embedded Derivatives</i>
HK(IFRIC)-Int 13	<i>Customer Loyalty Programmes</i>
HK(IFRIC)-Int 15	<i>Agreements for the Construction of Real Estate</i>
HK(IFRIC)-Int 16	<i>Hedges of a Net Investment in a Foreign Operation</i>
HK(IFRIC)-Int 18	<i>Transfers of Assets from Customers</i> (adopted from 1 July 2009)
Improvements to HKFRSs (October 2008)	Amendments to a number of HKFRSs

* Included in *Improvements to HKFRSs 2009* (as issued in May 2009).

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

The principal effects of adopting the new and revised HKFRSs are as follows:

(a) 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*

The HKAS 27 Amendment requires all dividends from subsidiaries, associates or jointly-controlled entities to be recognised in the income statement in the parent's separate financial statements. The distinction between pre and post acquisition profits is no longer required. However, the payment of such dividends requires the Company to consider whether there is an indicator of impairment. The amendment is applied prospectively. HKAS 27 has also been amended to deal with the measurement of the cost of investments where a parent reorganises the structure of its group by establishing a new entity as its parent. The HKFRS 1 Amendment allows a first-time adopter of HKFRSs to measure its investments in subsidiaries, associates or jointly-controlled entities using a deemed cost. As the Group is not a first-time adopter of HKFRSs, the HKFRS 1 Amendment is not applicable to the Group.

(b) Amendments to HKFRS 2 *Share-based Payment – Vesting Conditions and Cancellations*

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. As there are no share options granted by the Group under the current share option scheme, the amendments have had no impact on the financial position or result of operations of the Group.

(c) Amendments to HKFRS 7 *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*

The HKFRS 7 Amendments require additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by sources of inputs using a three-level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, a reconciliation between the beginning and ending balances is now required for level 3 fair value measurements, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The fair value measurement disclosures are presented in note 44 to the financial statements while the revised liquidity risk disclosures are presented in note 45 to the financial statements.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

The principal effects of adopting the new and revised HKFRSs are as follows: (continued)

(d) HKFRS 8 *Operating Segments*

HKFRS 8, which replaces 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 concluded that the operating segments determined in accordance with HKFRS 8 are the same as the business segments previously identified under HKAS 14. These revised disclosures, including the related revised comparative information, are shown in note 4 to the financial statements.

The Group has early adopted in these financial statements the Amendment to HKFRS 8 issued in *Improvements to HKFRSs 2009* which clarifies that segment assets need only to be reported when those assets are included in measures that are used by the chief operating decision maker.

(e) HKAS 1 (Revised) *Presentation of Financial Statements*

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 includes 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 has elected to present two statements.

(f) Amendment to Appendix to HKAS 18 *Revenue – Determining whether an entity is acting as a principal or as an agent*

Guidance has been added to the appendix (which accompanies the standard) to determine whether the Group is acting as a principal or as an agent. The features to consider are whether the Group (i) has the primary responsibility for providing the goods or services, (ii) has inventory risk, (iii) has the discretion to establish prices and (iv) bears credit risk. The Group has assessed its revenue arrangements against these criteria and concluded that it is acting as a principal in all arrangements. The amendment has had no impact on the financial position or results of operations of the Group.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

The principal effects of adopting the new and revised HKFRSs are as follows: (continued)

(g) HKAS 23 (Revised) *Borrowing Costs*

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 has had no impact on the financial position or results of operations of the Group.

(h) Amendments to HKAS 32 *Financial Instruments: Presentation* and HKAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*

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. The 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 have had no impact on the financial position or results of operations of the Group.

(i) Amendments to HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives* and HKAS 39 *Financial Instruments: Recognition and Measurement – Embedded Derivatives*

The amendment to HK(IFRIC)-Int 9 requires an entity to assess whether an embedded derivative must be separated from a host contract when the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. HKAS 39 has been revised to state that if an embedded derivative cannot be separately measured, the entire hybrid instrument must remain classified as fair value through profit or loss in its entirety. The adoption of the amendments has had no impact on the financial position or results of operations of the Group.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

The principal effects of adopting the new and revised HKFRSs are as follows: (continued)

(j) HK(IFRIC)-Int 13 *Customer Loyalty Programmes*

HK(IFRIC)-Int 13 requires 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. The interpretation has had no significant financial impact on the financial position or results of operations of the Group.

(k) HK(IFRIC)-Int 15 *Agreements for the Construction of Real Estate*

HK(IFRIC)-Int 15 replaces 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 has had no impact on the financial position or results of operations of the Group.

(l) HK(IFRIC)-Int 16 *Hedges of a Net Investment in a Foreign Operation*

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 has had no impact on the financial position or results of operations of the Group.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

The principal effects of adopting the new and revised HKFRSs are as follows: (continued)

(m) HK(IFRIC)-Int 18 *Transfers of Assets from Customers* (adopted from 1 July 2009)

HK(IFRIC)-Int 18 provides guidance on accounting by recipients that receive from customers items of property, plant and equipment or cash for the acquisition or construction of such items, provided that these assets must then be used to connect customers to networks or to provide ongoing access to a supply of goods or services, or both. 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.

(n) In October 2008, the HKICPA issued its first Improvements to HKFRSs which sets out amendments to a number of HKFRSs. Except for the amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations - Plan to Sell the Controlling Interest in a Subsidiary* which are effective for annual periods beginning on or after 1 July 2009, the Group adopted all the amendments from 1 January 2009. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- HKFRS 7 *Financial Instruments: Disclosures*: Removes the reference to “total interest income” as a component of finance costs.
- HKAS 1 *Presentation of Financial Statements*: Clarifies that assets and liabilities which are classified as held for trading in accordance with HKAS 39 are not automatically classified as current in the statement of financial position.
- HKAS 16 *Property, Plant and Equipment*: Replaces the term “net selling price” with “fair value less costs to sell” and the recoverable amount of property, plant and equipment is the higher of an asset’s fair value less costs to sell and its value in use.

In addition, items of property, plant and equipment held for rental that are routinely sold in the ordinary course of business after rental are transferred to inventories when rental ceases and they are held for sale.

- HKAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*: Requires government loans granted in the future with no or at a below-market rate of interest to be recognised and measured in accordance with HKAS 39 and the benefit of the reduced interest to be accounted for as a government grant. In accordance with the transitional provisions of the amendment, the Group adopted the amendment prospectively.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

The principal effects of adopting the new and revised HKFRSs are as follows: (continued)

(n) (continued)

- **HKAS 36 *Impairment of Assets*:** When discounted cash flows are used to estimate “fair value less costs to sell”, additional disclosures (e.g., discount rate and growth rate used) are required which are consistent with the disclosures required when the discounted cash flows are used to estimate “value in use”.
- **HKAS 38 *Intangible Assets*:** Expenditure on advertising and promotional activities is recognised as an expense when the Group either has the right to access the goods or has received the service.

The reference to there being rarely, if ever, persuasive evidence to support an amortisation method for intangible assets other than the straight-line method has been removed. The Group has reassessed the useful life of its intangible asset and concluded that the straight-line method is still appropriate.

- **HKAS 40 *Investment Property*:** Revises the scope such that property being constructed or developed for future as an investment property is classified as an investment property. The Group has applied the amendment prospectively from 1 January 2009.

2.3 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 (Revised)	<i>First-time Adoption of Hong Kong Financial Reporting Standards</i> ¹
HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters</i> ²
HKFRS 2 Amendments	Amendments to HKFRS 2 <i>Share-based Payment – Group Cash-settled Share-based Payment Transactions</i> ²
HKFRS 3 (Revised)	<i>Business Combinations</i> ¹
HKFRS 9	<i>Financial Instruments</i> ⁶
HKAS 24 (Revised)	<i>Related Party Disclosures</i> ⁵
HKAS 27 (Revised)	<i>Consolidated and Separate Financial Statements</i> ¹
HKAS 32 Amendment	Amendment to HKAS 32 <i>Financial Instruments: Presentation – Classification of Rights Issues</i> ³
HKAS 39 Amendment	Amendment to HKAS 39 <i>Financial Instruments: Recognition and Measurement – Eligible Hedged Items</i> ¹
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 <i>Prepayments of a Minimum Funding Requirement</i> ⁵
HK(IFRIC)-Int 17	<i>Distributions of Non-cash Assets to Owners</i> ¹
HK(IFRIC)-Int 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i> ⁴
Amendments to HKFRS 5 included in <i>Improvements to HKFRSs</i> issued in October 2008	Amendments to HKFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations – Plan to Sell the Controlling Interest in a Subsidiary</i> ¹
HK Interpretation 4 (Revised in December 2009)	<i>Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases</i> ²

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

(continued)

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2009* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 2, HKAS 38, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16 are effective for annual periods beginning on or after 1 July 2009 while the amendments to HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 36 and HKAS 39 are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard or interpretation.

- ¹ Effective for annual periods beginning on or after 1 July 2009
- ² Effective for annual periods beginning on or after 1 January 2010
- ³ Effective for annual periods beginning on or after 1 February 2010
- ⁴ Effective for annual periods beginning on or after 1 July 2010
- ⁵ Effective for annual periods beginning on or after 1 January 2011
- ⁶ Effective for annual periods beginning on or after 1 January 2013

HKFRS 1 (Revised) was issued with an aim to improve the structure of the standard. The revised version of the standard does not make any changes to the substance of accounting by first-time adopters. As the Group is not a first-time adopter of HKFRSs, the amendments will not have any financial impact on the Group.

The HKFRS 1 Amendments provide relief from the full retrospective application of HKFRSs for the measurement of oil and gas assets and leases. As a result of extending the options for determining deemed cost to oil and gas assets, the existing exemption relating to decommissioning liabilities has also been revised. As the Group is not a first-time adopter of HKFRSs, the amendments will not have any financial impact on the Group.

The HKFRS 2 Amendments provide guidance on how to account for cash-settled share-based payment transactions in the separate financial statements of the entity receiving the goods and services when the entity has no obligation to settle the share-based payment transactions. The amendments also incorporate guidance that was previously included in HK(IFRIC)-Int 8 *Scope of HKFRS 2* and HK(IFRIC)-Int 11 *HKFRS 2 - Group and Treasury Share Transactions*. The Group expects to adopt the HKFRS 2 Amendments from 1 January 2010. The amendments are unlikely to have any significant implications on the Group's 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.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

(continued)

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*.

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 the accounting of future acquisitions, loss of control and transactions with minority interests.

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety by the end of 2010. The Group expects to adopt HKFRS 9 from 1 January 2013.

HKAS 24 (Revised) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government. The Group expects to adopt HKAS 24 (Revised) from 1 January 2011 and the comparative related party disclosures will be amended accordingly. While the adoption of the revised standard will result in changes in the accounting policy, the revised standard is unlikely to have any impact on the related party disclosures as the Group currently does not have any significant transactions with government related entities.

The HKAS 32 Amendment revises the definition of financial liabilities such that rights, options or warrants issued to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency are equity instruments, provided that the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. The Group expects to adopt the HKAS 32 Amendment from 1 January 2011. As the Group currently has no such rights, options or warrants in issue, the amendment is unlikely to have any financial impact on the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

(continued)

The HKAS 39 Amendment 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 a hedged item. The Group expects to adopt the HKAS 39 Amendment from 1 January 2010. As the Group has not entered into any such hedges, the amendment is unlikely to have any financial impact on the Group.

The HK(IFRIC)-Int 14 Amendments remove an unintended consequence arising from the treatment of prepayments of future contributions in certain circumstances when there is a minimum funding requirement. The amendments require an entity to treat the benefit of an early payment as a pension asset. The economic benefit available as a reduction in future contributions is thus equal to the sum of (i) the prepayment for future services and (ii) the estimated future services costs less the estimated minimum funding requirement contributions that would be required as if there were no prepayments. The Group expects to adopt the HK(IFRIC)-Int 14 Amendments from 1 January 2011. As the Group's defined benefit scheme is not subject to any minimum funding requirements, the adoption of the amendments will not have any financial impact on the Group.

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 Reporting Period* 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 19 addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. The Group expects to adopt the interpretation from 1 January 2011. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability are consideration paid in accordance with HKAS 39 *Financial Instruments: Recognition and Measurement* and the difference between the carrying amount of the financial liability extinguished, and the consideration paid, shall be recognised in profit or loss. The consideration paid should be measured based on the fair value of the equity instrument issued or, if the fair value of the equity instrument cannot be reliably measured, the fair value of the financial liability extinguished. As the Group has not undertaken such transactions, the interpretation is unlikely to have any material financial impact on the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

(continued)

The amendments to HKFRS 5 clarify that all assets and liabilities of a subsidiary shall be classified as held for sale if an entity has a sale plan involving loss of control of the subsidiary, regardless of whether the entity will retain a non-controlling interest. The Group expects to adopt the amendments from 1 January 2010. The changes must be applied prospectively and will affect future sale transactions or plans involving loss of control of a subsidiary.

Improvements to HKFRSs 2009 issued in May 2009 sets out amendments to a number of HKFRSs. Except for the amendment to HKAS 18 and the amendment to HKFRS 8, the Group expects to adopt the amendments from 1 January 2010. 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. Those amendments that may be applicable to the Group are as follows:

- (a) *HKAS 7 Statement of Cash Flows*: Requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as a cash flow from investing activities.
- (b) *HKAS 17 Leases*: Removes the specific guidance on classifying land as a lease. As a result, leases of land should be classified as either operating or finance leases in accordance with the general guidance in HKAS 17.

HK Interpretation 4 Leases - Determination of the Length of Lease Term in respect of Hong Kong Land Leases is revised as a consequence of the amendment to *HKAS 17 Leases* included in *Improvements to HKFRSs 2009*. Following this amendment, the scope of HK Interpretation 4 has been expanded to cover all land leases, including those classified as finance leases. As a result, this Interpretation is applicable to all leases of property accounted for in accordance with HKAS 16, HKAS 17 and HKAS 40.

- (c) *HKAS 36 Impairment of Assets*: Clarifies that the largest unit permitted for allocating goodwill acquired in a business combination is the operating segment as defined in *HKFRS 8 Operating Segments* before aggregation for financial reporting purposes.
- (d) *HKAS 38 Intangible Assets*: Clarifies that (i) if an intangible asset acquired in a business combination is identifiable only with another intangible asset, the acquirer may recognise the group of assets as a single asset provided that the individual assets have similar useful lives; and (ii) the valuation techniques presented for determining the fair value of intangible assets acquired in a business combination that are not traded in active markets are only examples and are not restrictive on the methods that can be used.

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.

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'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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 statement of financial position 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 interests 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 and is not individually tested for impairment.

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 statement of financial position 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 in the consolidated statement of financial position.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Goodwill (continued)***Goodwill on acquisitions for which the agreement date is on or after 1 January 2005 (continued)*

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, contracts for services, 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 the end of each reporting period 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. 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 the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

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 financial year end.

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 and any significant part initially recognised 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 end of the reporting period.

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.

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.

Intangible asset (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful life of intangible asset is assessed to be either finite or indefinite. Intangible asset with finite life is subsequently 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 financial year end.

Technical know-how

The cost of acquiring the right to technical know-how for the manufacturing of materials for exterior wall insulation panels is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 20 years.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**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.

Investments and other financial assets*Initial recognition and measurement*

Financial assets of the Group within 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. The Group determines the classification of its financial assets at initial recognition. 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.

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.

The Group's financial assets include available-for-sale investments, a long term receivable, trade and bills receivables, deposits and other receivables, certain amounts due from associates, an equity investment at fair value through profit or loss, pledged deposits and cash and cash equivalents.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Investments and other financial assets (continued)***Subsequent measurement*

The subsequent measurement of financial assets depends on their classification as follows:

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. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in the income statement. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification from financial assets at fair value through profit or loss to loans and receivables, available-for-sale financial assets or held-to-maturity investments depends on the nature of the assets.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement. 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in the income statement. The loss arising from impairment is recognised in the income statement in finance costs.

Available-for-sale financial investments

Available-for-sale financial investments of the Group are non-derivative financial assets in unlisted equity securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in a separate component of equity until the investment is derecognised, at which time the cumulative gain or loss is recognised in the income statement, or until the investment is determined to be impaired, at which time the relevant cumulative gain or loss is recognised in the income statement and removed from the separate component of equity. 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Investments and other financial assets (continued)***Available-for-sale financial investments (continued)*

The Group evaluates its available-for-sale financial assets whether the ability and intention to sell them in the near term are still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. Reclassification to the held-to-maturity category is permitted only when the entity has the ability and intent to hold until the maturity date of the financial asset.

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 when:

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, 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. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Impairment of financial assets**

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred “loss event”) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss 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). The present value of the estimated future cash flows is discounted at the financial asset’s original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. 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 estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the income statement.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, 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.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

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, is removed from other comprehensive income and recognised in the income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Impairment of financial assets (continued)***Available-for-sale financial investments (continued)*

In the case of the equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is “significant” or “prolonged” requires judgement. “Significant” is evaluated against the original cost of the investment and “prolonged” against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement – is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement. Increases in their fair value after impairment are recognised directly in other comprehensive income.

Financial liabilities*Initial recognition and measurement*

Financial liabilities of the Group within the scope of HKAS 39 are classified as loans and borrowings. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group’s financial liabilities include due to an associate, trade and bills payables, other payables, and interest-bearing bank and other borrowings.

Subsequent measurement of loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. 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 end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

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.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate 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)**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.

Contracts for services

Contract revenue on the rendering of services comprises the agreed contract amount. Costs of rendering services comprise labour and other costs of personnel directly engaged in providing the services and attributable overheads.

Revenue from the rendering of services is recognised based on the percentage of completion of the transaction, provided that the revenue, the costs incurred and the estimated costs to completion can be measured reliably. The percentage of completion is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction. Where the outcome of a contract cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

Provision is made for foreseeable losses as soon as they are anticipated by management.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, 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 statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

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 end of the reporting period 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Income tax**

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or 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, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period 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 the initial recognition of goodwill or 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
- 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period 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. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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 by the end of the reporting period.

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.

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) from rendering of services, on the percentage of completion basis, as further explained in the accounting policy for "Contracts for services" above;
- (c) rental income, on a time proportion basis over the lease terms;
- (d) 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 or a shorter period, when appropriate, to the net carrying amount of the financial asset;
- (e) dividend income, when the shareholders' right to receive payment has been established; and
- (f) commission income and service fee income, in the period in which the related services are rendered.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**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 for grants after 7 November 2002, if any, 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.

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. The cumulative expense recognised for equity-settled transactions at the end of each reporting period 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.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service 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, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment transaction, 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. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, 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. All cancellations of equity-settled transaction awards are treated equally.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 end of the reporting period is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the end of the reporting period for the expected future cost of such paid leave earned during the year by the employees and carried forward.

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 obligations under the Scheme earned by the employees as at the end of the reporting period (the "Scheme Obligations"). 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 end of the reporting period.

The effect of the actuarial gains and losses experienced in the estimation of the Scheme Obligations and the valuation of the Scheme Assets is initially recorded in the statement of financial position and is subsequently recognised in the income statement only when the net cumulative actuarial gain or loss in the statement of financial position exceeds 10% of the higher of the Scheme Obligations 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 Obligations relating to past service by the employees is initially recorded in the statement of financial position and is subsequently recognised in the income statement evenly over the period until the benefits vest with the employees.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Other employee benefits (continued)***Pension schemes and other retirement benefits (continued)*

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 Obligations at the end of the reporting period is recognised in the statement of financial position 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 statement of financial position, 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 statement of financial position during the period, other than those deferred in the statement of financial position, 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.

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 benefit 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

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 recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. 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 end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated statement of cash flows, 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 end of the reporting period. 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:

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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, 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;
- (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.; and
- (d) the development potential of the properties by deducting development costs and profit element from the estimated gross development value of properties.

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 2009 was HK\$128,725,000 (2008: HK\$121,517,000).

As at 31 December 2009, an investment property of the Group in Hong Kong with a carrying amount of HK\$20,000,000 (2008: HK\$22,000,000) was estimated based on the assumption that the corresponding extension of building covenant, which required the development on the piece of land it situated to be completed and made fit for occupation on or before 6 January 2010, would be approved by the Land Department of Hong Kong at the provision of certain estimated premium. Up to the date of these financial statements, the directors are not aware of any unfavourable circumstances that might indicate the approval could not be granted.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)*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 2009 was HK\$123,163,000 (2008: HK\$123,163,000), net of impairment of HK\$108,783,000 (2008: HK\$108,783,000).

For the year ended 31 December 2009, nil impairment losses (2008: impairment losses of HK\$43,914,000) 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 in Hong Kong 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, subject to the grant of planning permission of residential development by the Town Planning Board. 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 the end of each reporting period 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 reporting period end.

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. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

- (a) the paint products segment engages in the manufacture and sale of paint products and related services;
- (b) the property investment segment comprises:
 - (i) the investment in residential and commercial premises for their rental income potential; and
 - (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.

The chief operating decision maker regularly reviews the operating results of its operating segments separately for the purpose of resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax except that interest income, finance costs as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude pledged deposits, cash and cash equivalents, net pension scheme assets and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings, tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted on mutually agreed terms.

4. OPERATING SEGMENT INFORMATION (continued)

Year ended	Paint products	Property investment	Iron and steel trading	Others	Total
31 December 2009	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:					
Sales to external customers	935,891	6,683	83,986	—	1,026,560
Intersegment sales	—	8,088	—	—	8,088
Other income and gains	3,900	7,366	2,665	109	14,040
	<u>939,791</u>	<u>22,137</u>	<u>86,651</u>	<u>109</u>	<u>1,048,688</u>
<i>Reconciliation:</i>					
Elimination of intersegment sales					<u>(8,088)</u>
Total revenue					<u><u>1,040,600</u></u>
Segment results	79,874	8,129	(634)	(1,656)	85,713
<i>Reconciliation:</i>					
Elimination of intersegment results					7,399
Interest income					630
Finance costs					(6,333)
Corporate and other unallocated expenses					<u>(32,922)</u>
Profit before tax					<u><u>54,487</u></u>

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2009

4. OPERATING SEGMENT INFORMATION (continued)

Year ended	Paint	Property	Iron and		
31 December 2009	products	investment	steel trading	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	488,004	327,781	8,844	129,145	953,774
<i>Reconciliation:</i>					
Elimination of intersegment receivables					(1,305)
Corporate and other unallocated assets					147,880
Total assets					<u>1,100,349</u>
Segment liabilities	252,509	5,483	3,023	453	261,468
<i>Reconciliation:</i>					
Elimination of intersegment payables					(1,305)
Corporate and other unallocated liabilities					180,383
Total liabilities					<u>440,546</u>

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2009	Paint products HK\$'000	Property investment HK\$'000	Iron and steel trading HK\$'000	Others HK\$'000	Total HK\$'000
Other segment information:					
Share of profits and losses of associates	—	1,073	—	(209)	864
Interests in associates	—	1,703	—	1,477	3,180
Depreciation	16,303	5,235	1	—	21,539
Corporate and other unallocated					73
					<u>21,612</u>
Amortisation of an intangible asset	—	—	—	150	150
Capital expenditure	45,139	1,199	—	—	46,338
Corporate and other unallocated					14
					<u>46,352*</u>
Fair value gains on investment properties, net	—	(6,672)	—	—	(6,672)
Impairment of properties under development	—	4,000	—	—	4,000
Impairment of amounts due from an associate	—	1,585	—	—	1,585
Impairment of trade receivables	4,737	—	—	—	4,737
Write-down of inventories to net realisable value	7,892	—	—	—	7,892
	<u>7,892</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>7,892</u>

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2009

4. OPERATING SEGMENT INFORMATION (continued)

Year ended	Paint	Property	Iron and		
31 December 2008	products	investment	steel trading	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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
	<u>809,731</u>	<u>15,133</u>	<u>138,288</u>	<u>1,597</u>	<u>964,749</u>
<i>Reconciliation:</i>					
Elimination of intersegment sales					<u>(7,052)</u>
Total revenue					<u><u>957,697</u></u>
Segment results	27,225	(20,909)	1,711	(43,628)	(35,601)
<i>Reconciliation:</i>					
Elimination of intersegment results					10,129
Interest income					1,696
Finance costs					(6,051)
Corporate and other unallocated expenses					<u>(33,115)</u>
Loss before tax					<u><u>(62,942)</u></u>

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2009

4. OPERATING SEGMENT INFORMATION (continued)

Year ended	Paint	Property	Iron and		
31 December 2008	products	investment	steel trading	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	375,216	330,154	11,007	129,027	845,404
<i>Reconciliation:</i>					
Elimination of intersegment receivables					(1,420)
Corporate and other unallocated assets					125,468
Total assets					<u>969,452</u>
Segment liabilities	173,733	5,769	5,429	244	185,175
<i>Reconciliation:</i>					
Elimination of intersegment payables					(1,420)
Corporate and other unallocated liabilities					157,963
Total liabilities					<u>341,718</u>

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2009

4. OPERATING SEGMENT INFORMATION (continued)

Year ended	Paint	Property	Iron and		
31 December 2008	products	investment	steel trading	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other segment information:					
Share of profits and losses of associates	—	903	—	(30)	873
Interests in associates	—	3,192	—	269	3,461
Depreciation	13,432	4,718	1	—	18,151
Corporate and other unallocated					74
					<u>18,225</u>
Capital expenditure	38,403	13,732	5	3,000	55,140
Corporate and other unallocated					113
					<u>55,253*</u>
Fair value losses on investment properties	—	9,051	—	—	9,051
Impairment of properties under development	—	14,247	—	—	14,247
Impairment of available-for-sale investments	—	—	—	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

* Capital expenditure consists of additions to property, plant and equipment, deposits for purchases of items of property, plant and equipment, properties under development, investment properties and intangible asset.

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	2009 HK\$'000	2008 HK\$'000
Hong Kong	90,778	91,414
Mainland China	935,766	850,386
Other countries	16	17
	<u>1,026,560</u>	<u>941,817</u>

The revenue information above is based on the location of the customers.

(b) Non-current assets

	2009 HK\$'000	2008 HK\$'000
Hong Kong	302,036	300,695
Mainland China	190,659	167,413
Other countries	18,236	17,038
	<u>510,931</u>	<u>485,146</u>

The non-current asset information above is based on the location of assets and excludes financial instruments and post-employment benefit assets.

No customer accounted for 10% or more of the Group's total revenue for the years ended 31 December 2008 and 2009.

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; an appropriate proportion of value of services rendered; 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:

	Note	2009 HK\$'000	2008 HK\$'000
Revenue			
Sale of paint products and related services		935,891	803,405
Sale of iron and steel products		83,986	131,763
Gross rental income from investment properties		6,683	6,649
		<u>1,026,560</u>	<u>941,817</u>
Other income			
Bank interest income		601	1,648
Interest income from a long term receivable		29	48
Commission income		2,202	6,147
Government grants received from Mainland			
China authorities		2,324	2,135
Recognition of deferred income	33	291	287
Others		1,648	3,687
		<u>7,095</u>	<u>13,952</u>

5. REVENUE, OTHER INCOME AND GAINS (continued)

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

	Note	2009 HK\$'000	2008 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		848	1,785
Fair value gain on an equity investment at fair value through profit or loss - held for trading		55	—
		<u>903</u>	<u>3,624</u>
Total other income and gains		<u>7,998</u>	<u>17,576</u>

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2009

6. PROFIT/(LOSS) BEFORE TAX

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

	Notes	2009 HK\$'000	2008 HK\$'000
Cost of inventories sold		671,256	690,358
Cost of services provided		8,199	—
Depreciation	13	21,612	18,225
Amortisation of an intangible asset	17	150	—
Minimum lease payments under operating leases in respect of land and buildings		10,130	9,573
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties		534	773
Auditors' remuneration:			
Audit related services		2,100	2,240
Other services		168	157
Employee benefits expense (excluding directors' remuneration (note 8)):			
Wages and salaries		125,656	115,055
Pension scheme contributions (defined contribution schemes)		1,115	1,073
Net pension scheme loss/(gain) (defined benefit scheme)	22(b)	209	(459)
		<u>126,980</u>	<u>115,669</u>

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

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

	Notes	2009 HK\$'000	2008 HK\$'000
Write-down of inventories to net realisable value		7,892	1,999
Impairment of trade receivables	24	4,737	2,748
Loss on disposal of items of property, plant and equipment, net		1	—
Write-off of items of property, plant and equipment		768	470
Impairment of amounts due from an associate	19	1,585	—
Fair value loss on an equity investment at fair value through profit or loss - held for trading		—	88
		<u> </u>	<u> </u>

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2009 HK\$'000	2008 HK\$'000
Interest on bank loans and other loans wholly repayable within five years	4,697	4,380
Interest on other loans	1,529	1,557
Interest on finance leases	107	114
	<u> </u>	<u> </u>
	<u>6,333</u>	<u>6,051</u>

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	
	2009	2008
	HK\$'000	HK\$'000
Fees:		
Executive directors	2,100	2,100
Non-executive directors	900	900
	<u>3,000</u>	<u>3,000</u>
Other emoluments:		
Salaries, allowances and benefits in kind	17,571	17,401
Discretionary bonuses	1,049	70
Pension scheme contributions	892	865
	<u>19,512</u>	<u>18,336</u>
	<u><u>22,512</u></u>	<u><u>21,336</u></u>

(a) Independent non-executive directors

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

	2009	2008
	HK\$'000	HK\$'000
Sir David Akers-Jones	200	200
Chan Wa Shek	100	100
Steven Chow	100	100
Danny T Wong	200	200
	<u>600</u>	<u>600</u>

There were no other emoluments payable to the independent non-executive directors during the year (2008: 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
2009					
Executive directors:					
Tsui Tsin Tong (passed away on 2 April 2010)	950	10,131	690	652	12,423
Lam Ting Ball, Paul	300	2,627	89	12	3,028
Tsui Ho Chuen, Philip	300	2,166	115	110	2,691
Tsui Yam Tong, Terry	300	1,992	55	106	2,453
Chong Chi Kwan	250	655	100	12	1,017
	<u>2,100</u>	<u>17,571</u>	<u>1,049</u>	<u>892</u>	<u>21,612</u>
Non-executive directors:					
Hung Ting Ho, Richard	100	—	—	—	100
Zhang Yulin	100	—	—	—	100
Ko Sheung Chi	100	—	—	—	100
	<u>300</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>300</u>
	<u>2,400</u>	<u>17,571</u>	<u>1,049</u>	<u>892</u>	<u>21,912</u>

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2009

8. DIRECTORS' REMUNERATION (continued)

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

	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 (passed away on 2 April 2010)	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
	<u>2,100</u>	<u>17,401</u>	<u>70</u>	<u>865</u>	<u>20,436</u>
Non-executive directors:					
Hung Ting Ho, Richard	100	—	—	—	100
Zhang Yulin	100	—	—	—	100
Ko Sheung Chi	100	—	—	—	100
	<u>300</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>300</u>
	<u>2,400</u>	<u>17,401</u>	<u>70</u>	<u>865</u>	<u>20,736</u>

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2008: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2008: four) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining one (2008: one) non-director and highest paid employee for the year are as follows:

	Group	
	2009	2008
	HK\$'000	HK\$'000
Salaries, allowances and benefits in kind	1,565	1,346
Discretionary bonus	—	85
Joining inducement fee	—	106
Pension scheme contributions	84	34
	<u>1,649</u>	<u>1,571</u>

10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	Group	
	2009	2008
	HK\$'000	HK\$'000
Current - Hong Kong		
Charge for the year	—	273
Overprovision in prior years	(11)	—
Current - Elsewhere		
Charge for the year	17,230	8,342
Deferred (note 32)	5,000	(378)
	<u>22,219</u>	<u>8,237</u>

The share of tax attributable to associates amounting to HK\$208,000 (2008: HK\$230,000) is included in "Share of profits and losses of associates" on the face of the consolidated income statement.

10. INCOME TAX (continued)

A reconciliation of the tax charge/(credit) applicable to profit/(loss) before tax at 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			
	2009		2008	
	HK\$'000	%	HK\$'000	%
Profit/(loss) before tax	<u>54,487</u>		<u>(62,942)</u>	
Tax charge/(credit) at the statutory tax rate	8,990	16.5	(10,385)	(16.5)
Higher/(lower) tax rates for specific provinces in the PRC	(1,166)	(2.1)	1,729	2.7
Effect of opening deferred tax of decrease in rate	—	—	(40)	(0.1)
Adjustments in respect of current tax of previous periods	(11)	—	—	—
Profits attributable to associates	(143)	(0.3)	(144)	(0.2)
Depreciation adjustment	122	0.2	(114)	(0.2)
Income not subject to tax	(1,257)	(2.3)	(623)	(1.0)
Expenses not deductible for tax	582	1.1	11,262	17.9
Effect of withholding tax at 5% of the distributable profits of the Group's PRC subsidiaries	5,983	11.0	—	—
Tax losses utilised from previous periods	(102)	(0.2)	(1,353)	(2.1)
Tax losses not recognised	<u>9,221</u>	<u>16.9</u>	<u>7,905</u>	<u>12.6</u>
Tax charge at the Group's effective rate	<u>22,219</u>	<u>40.8</u>	<u>8,237</u>	<u>13.1</u>

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

Of the Group's profit attributable to owners of the parent of HK\$32,406,000 (2008: loss of HK\$71,515,000), a loss of HK\$26,078,000 (2008: HK\$99,518,000) 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 profit for the year attributable to ordinary equity holders of the parent of HK\$32,406,000 (2008: loss of HK\$71,515,000) and the weighted average number of ordinary shares of 1,573,671,409 (2008: 1,573,671,409) in issue during the year.

There was no diluting event existed during the years ended 31 December 2009 and 2008.

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2009

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 2009								
At 1 January 2009:								
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	<u>17,038</u>	<u>203,617</u>	<u>12,126</u>	<u>12,514</u>	<u>24,933</u>	<u>12,182</u>	<u>10,461</u>	<u>292,871</u>
At 1 January 2009, net of accumulated depreciation and impairment	17,038	203,617	12,126	12,514	24,933	12,182	10,461	292,871
Additions	—	344	16,529	5,455	6,959	5,992	3,440	38,719
Disposals	—	—	—	—	(390)	(24)	(16)	(430)
Write-off	—	—	—	(22)	(445)	(301)	—	(768)
Transfer from deposits for purchases of items of property, plant and equipment (note 21)	—	7,440	—	—	—	—	—	7,440
Depreciation provided during the year	(109)	(8,428)	—	(4,413)	(2,306)	(3,503)	(2,853)	(21,612)
Transfers	—	2,716	(4,087)	458	541	372	—	—
Exchange realignment	451	2	3	4	17	2	(2)	477
At 31 December 2009, net of accumulated depreciation and impairment	<u>17,380</u>	<u>205,691</u>	<u>24,571</u>	<u>13,996</u>	<u>29,309</u>	<u>14,720</u>	<u>11,030</u>	<u>316,697</u>
At 31 December 2009:								
Cost or valuation	18,695	302,901	24,571	27,850	131,395	32,262	27,299	564,973
Accumulated depreciation and impairment	(1,315)	(97,210)	—	(13,854)	(102,086)	(17,542)	(16,269)	(248,276)
Net carrying amount	<u>17,380</u>	<u>205,691</u>	<u>24,571</u>	<u>13,996</u>	<u>29,309</u>	<u>14,720</u>	<u>11,030</u>	<u>316,697</u>
Analysis of cost or valuation:								
At cost	18,695	92,873	24,571	27,850	131,395	32,262	27,299	354,945
At 31 December 1994 valuation	—	202,000	—	—	—	—	—	202,000
At 30 June 2005 valuation (transferred from investment properties)	—	8,028	—	—	—	—	—	8,028
	<u>18,695</u>	<u>302,901</u>	<u>24,571</u>	<u>27,850</u>	<u>131,395</u>	<u>32,262</u>	<u>27,299</u>	<u>564,973</u>

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 2008								
At 1 January 2008:								
Cost or valuation	18,502	274,848	2,620	13,377	118,456	21,878	22,351	472,012
Accumulated depreciation and impairment	(1,079)	(77,961)	—	(7,179)	(95,402)	(14,383)	(13,783)	(209,787)
Net carrying amount	<u>17,423</u>	<u>196,887</u>	<u>2,620</u>	<u>6,198</u>	<u>23,054</u>	<u>7,495</u>	<u>8,548</u>	<u>262,225</u>
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	<u>17,038</u>	<u>203,617</u>	<u>12,126</u>	<u>12,514</u>	<u>24,933</u>	<u>12,182</u>	<u>10,461</u>	<u>292,871</u>
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	<u>17,038</u>	<u>203,617</u>	<u>12,126</u>	<u>12,514</u>	<u>24,933</u>	<u>12,182</u>	<u>10,461</u>	<u>292,871</u>
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
	<u>18,209</u>	<u>292,396</u>	<u>12,126</u>	<u>22,375</u>	<u>127,473</u>	<u>28,867</u>	<u>23,921</u>	<u>525,367</u>

31 December 2009

13. PROPERTY, PLANT AND EQUIPMENT (continued)**Company**

	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
31 December 2009				
At 1 January 2009:				
Cost	1,126	2,137	1,172	4,435
Accumulated depreciation	(1,126)	(1,861)	(1,172)	(4,159)
Net carrying amount	—	276	—	276
At 1 January 2009, net of accumulated depreciation				
	—	276	—	276
Additions	—	14	—	14
Depreciation provided during the year	—	(73)	—	(73)
At 31 December 2009, net of accumulated depreciation				
	—	217	—	217
At 31 December 2009:				
Cost	1,126	2,146	1,172	4,444
Accumulated depreciation	(1,126)	(1,929)	(1,172)	(4,227)
Net carrying amount	—	217	—	217

13. PROPERTY, PLANT AND EQUIPMENT (continued)
Company

	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	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	<u>—</u>	<u>237</u>	<u>—</u>	<u>237</u>
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	<u>—</u>	<u>276</u>	<u>—</u>	<u>276</u>
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	<u>—</u>	<u>276</u>	<u>—</u>	<u>276</u>

Note: As an arrangement of attracting foreign investments in Xuzhou, the PRC, 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 end of the reporting period, the carrying value of the buildings of the Xuzhou Subsidiary pledged to the Xuzhou Authority for the Construction Loan amounted to HK\$11,888,000 (2008: HK\$12,551,000) (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 2009 amounted to HK\$3,371,000 (2008: HK\$2,827,000).

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 2009 would have been HK\$154,561,000 (2008: HK\$161,700,000).

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

	Hong Kong	Elsewhere	Total
	HK\$'000	HK\$'000	HK\$'000
Freehold	—	18,695	18,695
Long term leases	64,028	—	64,028
Medium term leases	127,056	111,817	238,873
	<u>191,084</u>	<u>130,512</u>	<u>321,596</u>

At 31 December 2009, certain of the above land and buildings with an aggregate net book value of HK\$188,188,000 (2008: HK\$217,976,000) were pledged to secure general banking facilities and other loan granted to the Group (note 30).

14. INVESTMENT PROPERTIES

	Note	Group	
		2009 HK\$'000	2008 HK\$'000
Carrying amount at 1 January		121,517	101,700
Additions		536	868
Transfer from properties under development	15	—	28,000
Fair value gains/(losses), net		6,672	(9,051)
Carrying amount at 31 December		<u>128,725</u>	<u>121,517</u>

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

	Group	
	2009 HK\$'000	2008 HK\$'000
Long term leases in Hong Kong	<u>61,050</u>	<u>53,050</u>
Medium term leases in:		
Hong Kong	49,160	48,770
Elsewhere	<u>18,515</u>	<u>19,697</u>
	<u>67,675</u>	<u>68,467</u>
	<u>128,725</u>	<u>121,517</u>

The Group's investment properties were revalued on 31 December 2009 by Vigers Appraisal & Consulting Limited, BMI Appraisals Limited or Dudley Surveyors Limited, independent professionally qualified valuers. The properties were revalued at open market value, based on their existing use; by the residual method of valuation, based on their development potential; or on the basis of capitalisation of net rental income.

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 2009, certain of the Group's investment properties with an aggregate carrying value of HK\$90,210,000 (2008: HK\$99,517,000) 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 153.

15. PROPERTIES UNDER DEVELOPMENT

	Note	2009 HK\$'000	Group 2008 HK\$'000
Carrying amount at 1 January		32,000	74,000
Transfer to investment properties	14	—	(28,000)
Additions		—	247
Impairment during the year		(4,000)	(14,247)
Carrying amount at 31 December		<u>28,000</u>	<u>32,000</u>

The recoverable amount of the Group's properties under development at the end of the reporting period has been determined by the residual valuation method under the comparison approach based on the development potential of the respective land lots. The impairment recognised during the years ended 31 December 2009 and 2008 mainly reflected changes in the fair market values and costs of construction of comparable properties.

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

	2009 HK\$'000	Group 2008 HK\$'000
Medium and other term leases in Hong Kong (note)	<u>28,000</u>	<u>32,000</u>

Note: The properties under development are situated in Hong Kong and are either held under medium term leases or held under the Tai Po New Grant with their lease terms being unable to be ascertained from their respective new grants. 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 end of the reporting period.

Further particulars of the Group's properties under development are included on page 154.

16. PREPAID LAND PREMIUMS

	2009	Group
	HK\$'000	HK\$'000
Carrying amount at 1 January	21,321	16,766
Transfer from deposits paid for purchases of items of property, plant and equipment (note 21)	1,404	2,748
Recognised during the year	(477)	(456)
Exchange realignment	—	2,263
Carrying amount at 31 December	<u>22,248</u>	<u>21,321</u>

At the end of the reporting period, the Group's pieces of leasehold land are held under medium term leases and are situated in Mainland China.

17. INTANGIBLE ASSET

Group

	Technical know-how HK\$'000
31 December 2009	
Cost at 1 January 2009, net of accumulated amortisation	3,000
Amortisation provided during the year (note 6)	(150)
	<hr/>
At 31 December 2009	2,850
	<hr/> <hr/>
At 31 December 2009:	
Cost	3,000
Accumulated amortisation	(150)
	<hr/>
Net carrying amount	2,850
	<hr/> <hr/>
31 December 2008	
Cost at 1 January 2008, net of accumulated amortisation	—
Additions	3,000
Amortisation provided during the year	—
	<hr/>
At 31 December 2008	3,000
	<hr/> <hr/>
At 31 December 2008:	
Cost	3,000
Accumulated amortisation	—
	<hr/>
Net carrying amount	3,000
	<hr/> <hr/>

18. INTERESTS IN SUBSIDIARIES

	Company	
	2009	2008
	HK\$'000	HK\$'000
Unlisted shares/investments, at cost	224,095	224,095
Loans to subsidiaries	1,634,728	1,656,645
Due to subsidiaries	(656)	(676)
	<u>1,858,167</u>	<u>1,880,064</u>
Impairment	<u>(1,427,145)</u>	<u>(1,419,527)</u>
	<u><u>431,022</u></u>	<u><u>460,537</u></u>

An impairment was recognised for certain unlisted investments in subsidiaries with a carrying amount of HK\$1,813,012,000 (before deducting the impairment loss) (2008: HK\$1,800,953,000) 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\$516,379,000 (2008: HK\$507,486,000), which bear interest at the Hong Kong dollar best lending rate quoted by the Hong Kong and Shanghai Banking Corporation Limited (the "Prime Rate") per annum and are not repayable within one year, the amounts due from subsidiaries are unsecured and interest-free, have no fixed terms of repayment, and are considered as quasi-equity loans to the subsidiaries in the opinion of the Company's directors. The amounts due to subsidiaries are unsecured, interest-free and not repayable within one year. 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 2009 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		Principal activities
			Direct	Indirect	
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

18. INTERESTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries as at 31 December 2009 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		Principal activities
			Direct	Indirect	
CNT Industries (BVI) Limited	British Virgin Islands	US\$1,635,512	100	—	Investment holding
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

NOTES TO FINANCIAL STATEMENTS (continued)

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18. INTERESTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries as at 31 December 2009 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		Principal activities
			Direct	Indirect	
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 and paint products and related services
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 2009 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		Principal activities
			Direct	Indirect	
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
深圳市長頸鹿塗裝工程有限公司 #*	the PRC	RMB2,000,000	—	100	Interior decoration
深圳市圓方製罐有限公司 #*	the PRC	RMB8,000,000	—	100	Manufacture and sale of tinplate cans
Tatpo Corporation Limited	Liberia	US\$20,872	100	—	Investment holding
Venture Decade Limited	British Virgin Islands	US\$1	—	100	Not yet commenced operations
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 enterprises 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.

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2009

19. INTERESTS IN ASSOCIATES

	Group	
	2009 HK\$'000	2008 HK\$'000
Share of net assets	8,973	9,199
Loans to associates	1,585	1,521
Due to an associate	(2,284)	(3,750)
	8,274	6,970
Impairment	(5,094)	(3,509)
	3,180	3,461

At 31 December 2009, the loans to an associate totalling HK\$1,585,000 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 amount due to an associate totalling HK\$2,284,000 (2008: HK\$3,750,000) is unsecured, interest-free, and has no fixed terms of repayment. The amount due to another associate included in the Group's current liabilities as at 31 December 2009 totalling HK\$1,600,000 is unsecured, interest-free and repayable with not less than 30 days' prior written notice.

The amounts due from an associate included in the Group's current assets as at 31 December 2008 totalling HK\$1,523,000 were unsecured, interest-free and repayable on demand or within one year.

An impairment was recognised during the year for the loans to an associate with a carrying amount of HK\$1,585,000, because the Company's directors considered that the loans advanced have been outstanding for certain periods and are not expected to be recovered.

Particulars of the principal associates are as follows:

Name	Particulars of issued ordinary/ registered share capital	Place of incorporation/ registration	Percentage of equity attributable to the Group		Principal activities
			2009	2008	
Arran Investment Company, Limited #	Ordinary shares of HK\$100 each	Hong Kong	50	50	Property investment
Gobi EcoTech Limited	Ordinary shares of HK\$1 each	Hong Kong	40	40	Investment holding of a manufacture and sale of flooring materials business in the PRC
Liaoyang Beiyang Real estate Development Company Limited #	US\$1,240,000	the PRC	50	50	Property investment

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19. INTERESTS IN ASSOCIATES (continued)

Liaoyang Beiyang Real estate Development Company Limited, Gobi EcoTech Limited and Arran Investment Company, Limited are corporate associates indirectly held by the Company as at 31 December 2009. The financial year end of Liaoyang Beiyang Real estate Development Company Limited and Gobi EcoTech 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.

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:

	2009	2008
	HK\$'000	HK\$'000
Assets	21,344	22,057
Liabilities	2,873	3,128
Revenues	2,779	2,877
Profit	1,721	2,625
Dividend declared and distributed during the year	<u>2,179</u>	<u>1,902</u>

31 December 2009

20. AVAILABLE-FOR-SALE INVESTMENTS

	2009	Group
	HK\$'000	2008
		HK\$'000
Unlisted equity investments, at cost	231,946	231,946
Impairment	(108,783)	(108,783)
	<u>123,163</u>	<u>123,163</u>

Included in the above provision for impairment of available-for-sale investments as at the end of the reporting period is a provision for individually impaired investments of HK\$108,783,000 with a carrying amount before provision of HK\$230,346,000. The individually impaired investments relate to companies that either had been loss-making for some time or invested in development projects with reduced estimated future cash flows due to changes in development plans and market conditions. The directors are of the opinion that the individually impaired investments are not expected to be fully recoverable. During the year ended 31 December 2008, an impairment loss of HK\$43,914,000 was recognised for the Group's available-for-sale investments.

The available-for-sale 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 end of the reporting period, the Group did not intend to dispose of them in the future.

20. AVAILABLE-FOR-SALE INVESTMENTS (continued)

Particulars of the Group's available-for-sale investment with a carrying amount greater than ten percent of the Group's total assets as at 31 December 2009 are as follows:

Name	Particulars of registered share capital	Place of incorporation/ registration	Percentage of equity attributable to the Group		Principal activities
			2009	2008	
Profitable Industries Limited #	US\$10,000	British Virgin Islands	12.5	12.5	Indirect investment holding of a 93.7% equity interest in a cemetery development and sales business in the PRC

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21. DEPOSITS FOR PURCHASES OF ITEMS OF PROPERTY, PLANT AND EQUIPMENT

	Group	
	2009 HK\$'000	2008 HK\$'000
Carrying amount at 1 January	10,976	6,757
Transfer to prepaid land premiums (note 16)	(1,404)	(2,748)
Transfer to property, plant and equipment (note 13)	(7,440)	—
Additions	7,097	6,414
Exchange realignment	2	553
Carrying amount at 31 December	<u>9,231</u>	<u>10,976</u>

As at 31 December 2009, the carrying amount represents deposits paid for the purchases of a piece of land in Xinfeng, Guangdong Province, the PRC and certain machinery and equipment for the Group's paint operation.

22. NET PENSION SCHEME ASSETS

(a) The amounts recognised in the consolidated statement of financial position are as follows:

	Group	
	2009	2008
	HK\$'000	HK\$'000
Fair value of scheme assets	9,339	7,470
Present value of the defined benefit obligations	<u>(6,787)</u>	<u>(9,324)</u>
Surplus/(deficit) in the pension scheme	2,552	(1,854)
Net unrecognised actuarial losses/(gains)	<u>(562)</u>	<u>4,053</u>
Net pension scheme assets recognised	<u><u>1,990</u></u>	<u><u>2,199</u></u>

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

	Group	
	2009	2008
	HK\$'000	HK\$'000
Current service cost	415	279
Interest cost on defined benefit obligations	103	207
Expected return on pension scheme assets	(510)	(790)
Net cumulative actuarial loss/(gain) recognised in the income statement	201	(155)
Administration costs and group life premium deducted from contributions	<u>—</u>	<u>—</u>
	<u><u>209</u></u>	<u><u>(459)</u></u>
Actual return on scheme assets	<u><u>2,245</u></u>	<u><u>(3,735)</u></u>

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 obligations are as follows:

	Group	
	2009	2008
	HK\$'000	HK\$'000
At 1 January	9,324	5,973
Interest cost	103	207
Current service cost	415	279
Benefits paid	(376)	(153)
Actuarial loss/(gain)	(2,679)	3,018
	<u>6,787</u>	<u>9,324</u>
At 31 December	<u><u>6,787</u></u>	<u><u>9,324</u></u>

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

	Group	
	2009	2008
	HK\$'000	HK\$'000
At 1 January	7,470	11,358
Expected return on scheme assets	510	790
Benefits paid	(376)	(153)
Actuarial gain/(loss) on scheme assets	1,735	(4,525)
	<u>9,339</u>	<u>7,470</u>
At 31 December	<u><u>9,339</u></u>	<u><u>7,470</u></u>

(e) The Group does not expect to pay any contributions to the Group's defined benefit pension scheme during the year ending 31 December 2010.

22. NET PENSION SCHEME ASSETS (continued)

(f) Scheme assets consist of the following:

	Group	
	2009	2008
Equities	70%	68%
Bonds	24%	26%
Cash	6%	6%
Total	<u>100%</u>	<u>100%</u>

(g) The principal actuarial assumptions used in determining the Group's net pension scheme assets as at the end of the reporting period are follows:

	Group	
	2009	2008
Discount rate	2.6%	1.1%
Expected rate of return on the scheme assets	7.0%	7.0%
Future salary increases	<u>3.0%</u>	<u>4.0%</u>

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

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

	Group				
	2009	2008	2007	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Fair value of scheme assets	9,339	7,470	11,358	9,515	9,423
Present value of the defined benefit obligations	6,787	9,324	5,973	5,331	6,854
Surplus/(deficit) in pension scheme	2,552	(1,854)	5,385	4,184	2,569
Experienced gain/(loss) arising on scheme assets	1,735	(4,525)	992	1,077	(24)
Experienced loss/(gain) arising on scheme liabilities	<u>112</u>	<u>(226)</u>	<u>106</u>	<u>(320)</u>	<u>(402)</u>

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 2009 was performed by an actuarial manager of HSBC Life (International) Limited, a member of the 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 2009, the level of funding of the pension scheme was 138%, as calculated under the projected unit credit actuarial valuation method.

23. INVENTORIES

	Group	
	2009	2008
	HK\$'000	HK\$'000
Raw materials and spare parts	40,253	35,930
Work in progress	7,000	5,564
Finished goods	27,529	20,440
	<u>74,782</u>	<u>61,934</u>

24. TRADE AND BILLS RECEIVABLES

	Group	
	2009	2008
	HK\$'000	HK\$'000
Trade and bills receivables	226,305	164,099
Impairment	(9,051)	(4,314)
	<u>217,254</u>	<u>159,785</u>
Portion classified as long term receivable	—	(757)
Current portion	<u>217,254</u>	<u>159,028</u>

24. TRADE AND BILLS 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 and bills receivables relate to a large number of diversified customers and reputable banks, there is no significant concentration of credit risk. Trade and bills receivables, other than the amount classified as long term receivable, are non-interest-bearing. The long term receivable as at 31 December 2008 represented a trade receivable due for payment in more than twelve months.

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

	Group	
	2009	2008
	HK\$'000	HK\$'000
Neither past due nor impaired	156,386	131,814
Within three months	56,407	22,535
Over three months and within six months	1,180	2,943
Over six months	3,281	1,736
	<u>217,254</u>	<u>159,028</u>

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

	Group	
	2009	2008
	HK\$'000	HK\$'000
At 1 January	4,314	1,566
Impairment losses recognised (note 6)	4,737	2,748
	<u>9,051</u>	<u>4,314</u>

24. TRADE AND BILLS RECEIVABLES (continued)

Included in the above provision for impairment of trade and bills receivables is a provision for individually impaired trade receivables of HK\$9,051,000 (2008: HK\$4,314,000) with a carrying amount before provision of HK\$9,051,000 (2008: HK\$5,200,000). 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 2009, certain of the trade receivables with an aggregate carrying value of HK\$180,072,000 (2008: HK\$126,736,000) were pledged to secure general banking facilities granted to the Group (note 30).

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Prepayments	6,099	2,667	45	—
Services contract costs incurred plus recognised profits	9,221	—	—	—
Deposits and other receivables	10,472	9,469	591	1,200
Deferred expenses	1,329	1,768	—	—
	<u>27,121</u>	<u>13,904</u>	<u>636</u>	<u>1,200</u>

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.

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2009

26. EQUITY INVESTMENT AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2009 HK\$'000	2008 HK\$'000
Equity investment listed in Hong Kong, at fair value	<u>86</u>	<u>31</u>

The above equity investment at 31 December 2008 and 2009 was classified as held for trading.

27. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Note	Group		Company	
		2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Cash and bank balances		129,929	105,500	10,574	6,004
Time deposits:					
- with original maturity of less than three months when acquired		8,197	11,565	—	—
- with original maturity of more than three months when acquired		6,896	4,702	—	—
		<u>145,022</u>	<u>121,767</u>	<u>10,574</u>	<u>6,004</u>
Less: Pledged time deposits for bills payable:					
- with original maturity of less than three months when acquired	28	(2,517)	—	—	—
- with original maturity of more than three months when acquired	28	(2,580)	—	—	—
Cash and cash equivalents		<u>139,925</u>	<u>121,767</u>	<u>10,574</u>	<u>6,004</u>

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK\$118,648,000 (2008: HK\$88,006,000). 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 three months and one year 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 and pledged deposits approximate to their fair values.

28. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	Group	
	2009	2008
	HK\$'000	HK\$'000
Within three months	143,638	78,504
Over three months and within six months	3,807	6,385
Over six months	—	360
	<u>147,445</u>	<u>85,249</u>

The trade payables are non-interest-bearing and are normally settled on 90-day terms. As at 31 December 2009, bills payable with an aggregate carrying amount of HK\$20,770,000 were secured by time deposits of HK\$5,097,000. As at 31 December 2008, the bills payable were unsecured.

29. OTHER PAYABLES AND ACCRUALS

		Group		Company	
	Note	2009	2008	2009	2008
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Deferred income	33	291	291	—	—
Other payables		36,133	35,063	436	368
Accruals		73,758	56,698	3,069	2,608
		<u>110,182</u>	<u>92,052</u>	<u>3,505</u>	<u>2,976</u>

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

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2009

30. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group	2009			2008		
	Effective interest rate per annum (%)	Maturity	HK\$'000	Effective interest rate per annum (%)	Maturity	HK\$'000
Current						
Finance lease payables (note 31)	5.3 – 7.9	2010	1,325	5.3 – 7.9	2009	1,038
Bank loans - secured	2.5 – 5.6	2010	49,682	2.5 – 7.0	2009	28,409
Bank loans - unsecured	5.3	2010	19,083	5.3	2009	10,791
Import loans - secured	2.5 – 5.4	2010	15,680	3.1 – 6.1	2009	36,620
Import loans - unsecured	3.8	2010	3,311	N/A	N/A	—
Other loan - secured	5.4	2010	9,149	5.4	2009	6,113
			<u>98,230</u>			<u>82,971</u>
Non-current						
Finance lease payables (note 31)	5.3 – 7.9	2011 – 2013	898	5.3 – 7.9	2010 – 2013	1,071
Bank loans - secured	2.5 – 3.0	2011 – 2020	49,960	2.5 – 7.0	2010 – 2020	54,695
Other loan - secured	N/A	N/A	—	5.4	2010	4,695
			<u>50,858</u>			<u>60,461</u>
			<u>149,088</u>			<u>143,432</u>

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

Company	2009			2008		
	Effective interest rate per annum (%)	Maturity	HK\$'000	Effective interest rate per annum (%)	Maturity	HK\$'000
Current						
Finance lease payables (note 31)	7.4 – 7.9	2010	9	5.7 – 7.9	2009	19
Non-current						
Finance lease payables (note 31)	7.4 – 7.9	2011	6	5.7 – 7.9	2010 – 2011	15
			<u>15</u>			<u>34</u>

	Group		Company	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Analysed into:				
Bank loans and import loans repayable:				
Within one year or on demand	87,756	75,820	—	—
In the second year	5,060	5,142	—	—
In the third to fifth years, inclusive	16,019	16,162	—	—
Beyond five years	28,881	33,391	—	—
	<u>137,716</u>	<u>130,515</u>	<u>—</u>	<u>—</u>
Other borrowings repayable:				
Within one year or on demand	10,474	7,151	9	19
In the second year	675	5,562	6	9
In the third to fifth years, inclusive	223	204	—	6
	<u>11,372</u>	<u>12,917</u>	<u>15</u>	<u>34</u>
	<u>149,088</u>	<u>143,432</u>	<u>15</u>	<u>34</u>

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 end of the reporting period of HK\$176,300,000 (2008: HK\$205,425,000) (note 13);
 - (ii) the Group's investment properties with an aggregate carrying value at the end of the reporting period of HK\$90,210,000 (2008: HK\$99,517,000) (note 14); and
 - (iii) the Group's trade receivables with an aggregate carrying value at the end of the reporting period of HK\$180,072,000 (2008: HK\$126,736,000) (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\$11,888,000 (2008: HK\$12,551,000), bears interest at an effective rate of 5.4% (2008: 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 borrowing as at 31 December 2009 are borrowings with a carrying amount of HK\$73,534,000 (2008: HK\$74,686,000) which are denominated in Renminbi. As at 31 December 2008, the Group also had an interest-bearing bank borrowing of HK\$666,000 denominated in New Taiwan dollars. 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	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Group				
Finance lease payables	898	1,071	870	1,039
Bank loans - secured	49,960	54,695	49,413	54,335
Other loan - secured	—	4,695	—	4,454
	<u>50,858</u>	<u>60,461</u>	<u>50,283</u>	<u>59,828</u>
Company				
Finance lease payables	<u>6</u>	<u>15</u>	<u>5</u>	<u>14</u>

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 four years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

At 31 December 2009, 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	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Group				
Amounts payable:				
Within one year	1,412	1,127	1,325	1,038
In the second year	704	901	675	867
In the third to fifth years, inclusive	227	208	223	204
Total minimum finance lease payments	2,343	2,236	2,223	2,109
Future finance charges	(120)	(127)		
Total net finance lease payables	2,223	2,109		
Portion classified as current liabilities (note 30)	(1,325)	(1,038)		
Non-current portion (note 30)	898	1,071		
Company				
Amounts payable:				
Within one year	10	21	9	19
In the second year	6	10	6	9
In the third to fifth years, inclusive	—	6	—	6
Total minimum finance lease payments	16	37	15	34
Future finance charges	(1)	(3)		
Total net finance lease payables	15	34		
Portion classified as current liabilities (note 30)	(9)	(19)		
Non-current portion (note 30)	6	15		

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2009

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		Withholding taxes		Total	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
At 1 January	3,638	4,022	6,246	6,597	—	—	9,884	10,619
Deferred tax charged/ (credited) to the income statement during the year (note 10)	452	(384)	—	—	4,548	—	5,000	(384)
Deferred tax credited to equity during the year	—	—	—	(351)	—	—	—	(351)
Gross deferred tax liabilities recognised in the consolidated statement of financial position at 31 December	<u>4,090</u>	<u>3,638</u>	<u>6,246</u>	<u>6,246</u>	<u>4,548</u>	<u>—</u>	<u>14,884</u>	<u>9,884</u>

32. DEFERRED TAX (continued)**Deferred tax asset****Group**

	Losses available for offsetting against future taxable profit	
	2009 HK\$'000	2008 HK\$'000
At 1 January	—	6
Deferred tax charged to the income statement during the year (note 10)	—	(6)
Gross deferred tax asset recognised in the consolidated statement of financial position at 31 December	—	—

The Group has estimated tax losses arising in Hong Kong of HK\$894,912,000 (2008: HK\$843,057,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also has estimated tax losses arising in Mainland China of HK\$2,250,000 (2008: Nil) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have 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 Mainland China and the 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.

31 December 2009

33. DEFERRED INCOME

	Group	
	2009	2008
	HK\$'000	HK\$'000
At 1 January	5,056	5,029
Recognised during the year (note 5)	(291)	(287)
Exchange realignment	—	314
	<u>4,765</u>	<u>5,056</u>
Portion classified as current liabilities (note 29)	(291)	(291)
Non-current portion	<u><u>4,474</u></u>	<u><u>4,765</u></u>

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

	2009	2008
	HK\$'000	HK\$'000
Authorised:		
2,880,000,000 ordinary shares of HK\$0.10 each	<u><u>288,000</u></u>	<u><u>288,000</u></u>
Issued and fully paid:		
1,573,671,409 (2008: 1,573,671,409) ordinary shares of HK\$0.10 each	<u><u>157,367</u></u>	<u><u>157,367</u></u>

There was no movement of the Company's share capital during the years ended 31 December 2009 and 2008.

34. SHARE CAPITAL (continued)**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 2009 and 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 years ended 31 December 2009 and 2008 are presented in the consolidated statement of changes in equity on page 38 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 2009 and 2008. The amount of goodwill was stated at its cost, less cumulative impairment which arose in years prior to 1 January 2005.

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2009

35. RESERVES (continued)

(b) Company

	Share premium account HK\$'000	Contributed surplus* HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2008	6,635	417,982	(17,459)	407,158
Total comprehensive loss for the year (note 11)	—	—	(99,518)	(99,518)
At 31 December 2008 and 1 January 2009	6,635	417,982	(116,977)	307,640
Total comprehensive loss for the year (note 11)	—	—	(26,078)	(26,078)
At 31 December 2009	6,635	417,982	(143,055)	281,562

* 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 A SUBSIDIARY

	Note	2009 HK\$'000	2008 HK\$'000
Net assets disposed of:			
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
Loss on disposal of a subsidiary		—	(2,837)
		—	11
Satisfied by cash		—	11
Cash consideration		—	11
Cash and bank balances		—	(4)
Net cash		—	7

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Major non-cash transactions

- (a) During the year ended 31 December 2009, 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\$1,263,000 (2008: HK\$1,198,000).
- (b) During the year ended 31 December 2009, the Group completed the acquisition of a piece of land in Hubei, the PRC and certain items of property, plant and equipment of which considerations were settled by the deposits previously paid with carrying amounts of HK\$1,404,000 and HK\$7,440,000, respectively.

31 December 2009

38. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	Company	
	2009	2008
	HK\$'000	HK\$'000
Guarantees given to banks in connection with facilities granted to subsidiaries	<u>126,737</u>	<u>179,390</u>

As at 31 December 2009, 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\$80,267,000 (2008: HK\$66,886,000).

At the end of the reporting period, 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 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 ten 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 2009, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2009	2008
	HK\$'000	HK\$'000
Within one year	1,726	3,108
In the second to fifth years, inclusive	2,241	3,763
	<u>3,967</u>	<u>6,871</u>

(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 ten years.

At 31 December 2009, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	8,015	4,541	44	44
In the second to fifth years, inclusive	8,729	7,604	—	—
After five years	—	325	—	—
	<u>16,744</u>	<u>12,470</u>	<u>44</u>	<u>44</u>

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2009

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 end of the reporting period:

	Notes	2009 HK\$'000	Group 2008 HK\$'000
Contracted, but not provided for:			
Purchases of land use rights	(c)	2,949	4,723
Capital contribution to subsidiaries	(a), (b)	24,660	34,100
Construction and purchases of items of property, plant and equipment		28,017	8,579
		<u>55,626</u>	<u>47,402</u>
Authorised, but not contracted for:			
Capital contribution to a subsidiary	(d)	—	19,134
		<u>55,626</u>	<u>66,536</u>

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 2008 and 2009.
- (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, which was fully paid up as at 31 December 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 2009, the Group had paid contribution of US\$1,820,000 (2008: US\$600,000).
- (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 RMB5,624,000 had been paid by the Group at 31 December 2009 (2008: RMB4,062,000).
- (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 fully paid up the contribution of US\$3,100,000 at 31 December 2009 (2008: US\$631,000).

At the end of the reporting period, 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 end of the reporting period are disclosed in note 19.

(b) Compensation of key management personnel of the Group

	2009 HK\$'000	2008 HK\$'000
Short term employee benefits	20,720	19,571
Post-employment benefits	892	865
	<hr/>	<hr/>
Total compensation paid to key management personnel	<u>21,612</u>	<u>20,436</u>

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 end of the reporting period are as follows:

Group

2009

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
Trade and bills receivables	—	217,254	—	217,254
Financial assets included in prepayments, deposits and other receivables (note 25)	—	10,472	—	10,472
Equity investment at fair value through profit or loss	86	—	—	86
Pledged deposits	—	5,097	—	5,097
Cash and cash equivalents	—	139,925	—	139,925
	<u>86</u>	<u>372,748</u>	<u>123,163</u>	<u>495,997</u>

43. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (continued)

Group (continued)

2009

Financial liabilities

	Financial liabilities at amortised cost
	HK\$'000
Due to associates (note 19)	3,884
Trade and bills payables	147,445
Financial liabilities included in other payables and accruals (note 29)	36,133
Interest-bearing bank and other borrowings	149,088
	<hr/>
	336,550
	<hr/> <hr/>

43. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (continued)

Group (continued)

2008

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	—	—	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
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
	<u>31</u>	<u>292,544</u>	<u>123,163</u>	<u>415,738</u>

43. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (continued)

Group (continued)

2008

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
	<u>267,494</u>

Company

Financial assets

	Loans and receivables	
	2009	2008
	HK\$'000	HK\$'000
Due from subsidiaries, net of impairment	172,056	163,024
Financial assets included in prepayments, deposits and other receivables (note 25)	591	1,200
Cash and cash equivalents	10,574	6,004
	<u>183,221</u>	<u>170,228</u>

31 December 2009

43. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (continued)

Company (continued)

Financial liabilities

	Financial liabilities at amortised cost	
	2009	2008
	HK\$'000	HK\$'000
Due to subsidiaries (note 18)	656	676
Financial liabilities included in other payables and accruals (note 29)	436	368
Interest-bearing bank and other borrowings	15	34
	<u>1,107</u>	<u>1,078</u>

44. FAIR VALUE HIERARCHY

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

As at 31 December 2009, the Company held the following financial instrument measured at fair value:

Asset measured at fair value as at 31 December 2009:

	Level 1	Level 2	Level 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Equity investment at fair value through profit or loss - listed	<u>86</u>	<u>—</u>	<u>—</u>	<u>86</u>

During the year ended 31 December 2009, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans, other borrowings and cash and cash equivalents. 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 pledged deposits, trade and bills receivables, deposits and other receivables, available-for-sale investments, amounts due to associates, trade and bills payables, and other 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:

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 was not exposed to any significant interest rate risk at the end of the reporting period.

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk (continued)

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, except on the accumulated losses.

	Increase/ (decrease) in basis points	Group Increase/ (decrease) in profit before tax HK\$'000
2009		
HK\$	50	(313)
RMB	50	515
HK\$	(50)	313
RMB	(50)	(515)
	<u> </u>	<u> </u>
2008		
HK\$	50	(328)
RMB	50	412
HK\$	(50)	328
RMB	(50)	(412)
	<u> </u>	<u> </u>

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 statement of financial position, 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.

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk (continued)

The following table demonstrates the sensitivity at the end of the reporting period 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 HK\$'000	Increase/ (decrease) in equity* HK\$'000
2009			
If HK\$ weakens against RMB	5	(567)	14,314
If HK\$ strengthens against RMB	<u>(5)</u>	<u>567</u>	<u>(14,314)</u>
2008			
If HK\$ weakens against RMB	5	(720)	12,864
If HK\$ strengthens against RMB	<u>(5)</u>	<u>720</u>	<u>(12,864)</u>

* Excluding accumulated losses

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 deposits 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.

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank borrowings. 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.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

Group

	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
2009					
Finance lease payables	—	1,412	931	—	2,343
Interest-bearing bank and other borrowings	—	98,335	25,418	30,971	154,724
Due to associates	2,284	1,600	—	—	3,884
Trade and bills payables	—	147,445	—	—	147,445
Other payables	3,694	32,439	—	—	36,133
	<u>5,978</u>	<u>281,231</u>	<u>26,349</u>	<u>30,971</u>	<u>344,529</u>
2008					
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
	<u>28,187</u>	<u>181,786</u>	<u>31,475</u>	<u>35,627</u>	<u>277,075</u>

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**Liquidity risk** (continued)

The maturity profile of the Company's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

Company

	On demand or no fixed terms HK\$'000	Less than one year HK\$'000	One to five years HK\$'000	Total HK\$'000
2009				
Due to subsidiaries	656	—	—	656
Finance lease payables	—	10	6	16
Other payables	—	436	—	436
Guarantees given to banks in connection with facilities granted to subsidiaries (note 38)	80,267	—	—	80,267
	<u>80,923</u>	<u>446</u>	<u>6</u>	<u>81,375</u>
2008				
Due to subsidiaries	676	—	—	676
Finance lease payables	—	21	16	37
Other payables	—	368	—	368
Guarantees given to banks in connection with facilities granted to subsidiaries (note 38)	66,886	—	—	66,886
	<u>67,562</u>	<u>389</u>	<u>16</u>	<u>67,967</u>

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 2009 and 31 December 2008.

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**Capital management (continued)**

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

Group

	2009 HK\$'000	2008 HK\$'000
Bank and other borrowings	149,088	143,432
Equity attributable to owners of the parent	655,747	623,540
Less: Unrealised leasehold land and building revaluation reserve	(41,732)	(41,732)
Investment property revaluation reserve	(13,557)	(13,557)
Adjusted capital	<u>600,458</u>	<u>568,251</u>
Gearing ratio	<u>24.8%</u>	<u>25.2%</u>

46. EVENT AFTER THE REPORTING PERIOD

On 11 January 2010, the Group acquired a 11.5% equity interest in Key Factor Investments Limited, a company incorporated in British Virgin Islands principally involved in the trading of red wine business, at a cash consideration of HK\$5,000,000 from an independent third-party.

47. COMPARATIVE AMOUNTS

As further explained in note 2.2 to the financial statements, due to the adoption of new and revised HKFRSs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified and restated to conform with the current year's presentation and accounting treatment.

48. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 15 April 2010.

SCHEDULE OF PRINCIPAL PROPERTIES

31 December 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

SCHEDULE OF PRINCIPAL PROPERTIES (continued)

31 December 2009

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)