CNT GROUP LIMITED
北海集團有限公司

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

ANNUAL REPORT
年報 2011

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CORPORATE INFORMATION

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

Chan Wa Shek

Hung Ting Ho, Richard

Zhang Yulin

Ko Sheung Chi

Independent Non-executive Directors

Sir David Akers-Jones (Deputy Chairman)

Danny T Wong

Steven Chow

Alternate Director

Chong Shaw Swee, Alan (alternate to Hung Ting Ho, Richard)

COMPANY SECRETARY

Ma Lai King

ASSISTANT COMPANY SECRETARY

John Charles Ross Collis

AUDITORS

Ernst & Young

22nd Floor, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong

REGISTRARS

Hong Kong

Tricor Tengis Limited

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

Bermuda

HSBC Securities Services (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, CNT Tower, 338 Hennessy Road, Wanchai, Hong Kong

WEBSITE

www.cntgroup.com.hk

In 2011, the Group faced a challenging operating environment resulting from tightened national momentary policies adopted by the Chinese Government in Mainland China. These had caused great pressure to the operating environment of manufacturing industry. In addition, the persistently high price level of raw material costs throughout the year put a significant impact on the production costs which rendered a lower gross profit margin in 2011 when compared with last year. Nevertheless, the implementation of cost control measures to reduce those controllable administrative expenses as well as selling and distribution costs lessened the impact of the drop in gross profit of the Group.

RESULTS

The Group recorded a profit attributable to the shareholders of the Company for the year was approximately HK$41.84 million, representing an increase of approximately 20.0% when compared with that of last year.

Revenue for the year amounted to approximately HK$1,309.22 million, an increase of approximately HK$62.59 million when compared with last year. Gross profit decreased by approximately 8.0% when compared with that of last year to approximately HK$292.02 million. The drop was mainly due to the increase in raw material costs of paint products.

OPERATIONS

Paint Products

Revenue for the year amounted to approximately HK$1,086.27 million, representing an increase of approximately 2.1% when compared with that of last year. The operation focused its business on Mainland China market and achieved an increase of approximately 3.1% in revenue over that of 2010. The Group will continue to focus on Mainland China market. Operating profit for the year amounted to approximately HK$44.49 million representing a decrease of approximately HK$20.89 million when compared with that of last year. The persistently high level of raw material costs during 2011 rendered the drop in gross profit margin.

The Group's first phase of new manufacturing lines through the factory and buildings to be constructed on our existing land located in Xinfeng, Zhongguo, the PRC is expected to commence its trial production in the second half of 2012. As the factory in Xinfeng will be constructed in different phases, the production facilities in existing factory located in Shajing, Shenzhen will be relocated to Xinfeng in different stages according to the time of completion of different phases in coming years.

During the year, the Group incurred capital expenditure of approximately HK$28.40 million for the construction costs in respect of the production plant in Xinfeng. The Group believes that the new manufacturing lines 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.

OPERATIONS (continued)

Property Investment

Revenue for the year amounted to approximately HK$6.20 million, representing an increase of approximately 6.5% when compared with that of last year. Operating profit for the year amounted to approximately HK$33.86 million when compared with that of approximately HK$15.37 million last year. In addition to the gain on disposal of the property in Taiwan of approximately HK$6.40 million, the Group had also disposed its wholly owned subsidiary which held the investment property located in Mui Wo, New Territories, Hong Kong to capture the capital gain of approximately HK$9.85 million.

The Group has submitted an application under Section 16 of Town Planning Ordinance to seek Town Planning Board's ("TPB") approval for a proposed columbarium on the Group's existing land located in Au Tau, Yuen Long, Hong Kong. During the public inspection and departmental consultation period, a number of comments from the public and relevant government departments were received by the TPB. In response to the public and departmental comments, the Group has further submitted improved layout and technical assessments in support of the development proposal for TPB's consideration.

Iron and Steel Trading and Related Investments

Revenue for the year amounted to approximately HK$216.75 million, representing an increase of approximately 22.7% when compared with that of last year. Operating profit for the year amounted to approximately HK$3.41 million as compared with that of approximately HK$8.03 million last 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 luxury columbarium niches. There are two sales offices established in Hong Kong and five sales offices established in South China region for marketing purpose. Promotion campaigns have been launched to build up awareness among target elderly.

OUTLOOK

Looking ahead, the operating environment for the Group in 2012 will be challenging but full of opportunities. According to the Chinese government's 12th Five Year Plan, the urbanisation rate of Mainland China is expected to increase in coming years. The continuous advancement of the urbanisation is expected to translate into a strong demand for paint products. The Group will actively seize opportunities brought by the accelerated urbanisation and improved living standards.

Furthermore, the Group will continuously strive to improve its staff efficiency, process optimisation as well as information and logistic systems enhancement in order to achieve optimal operating efficiency. In addition, the Group will continue to focus on improving the quality of its products and services and enhancing its sales and marketing policy to cater for the needs of different customers in various tiers of cities.

RESULTS

The Group recorded a profit attributable to the shareholders of the Company of approximately HK$41.84 million for the year when compared with that of approximately HK$34.87 million last year. Revenue for the year amounted to approximately HK$1,309.22 million, representing an increase of approximately 5.0% when compared with that of last year. Gross profit for the year amounted to approximately HK$292.02 million, representing a decrease of approximately 8.0% when compared with that of last year. The decrease in gross profit was mainly due to the increase in raw material costs during the year.

SEGMENT INFORMATION

Business Segments

Paint operation continued to be the principal business of the Group with a revenue of approximately HK$1,086.27 million accounting for approximately 83.0% of the Group's total revenue. It also represented an increase of approximately 2.1% when compared with that of last year. Despite the increase in revenue, the decrease in gross profit for the year rendered segment result for the year amounted to approximately HK$44.49 million representing a decrease of approximately 32.0% when compared with that of last year. This was mainly due to the increase in raw material costs during the year.

Property investment operation reported a revenue of approximately HK$6.20 million, accounting for approximately 0.5% of the Group's total revenue. Segment result for the year amounted to a profit of approximately HK$33.86 million when compared with that of approximately HK$15.37 million last year. The increase in operating profit for the year was mainly due to the recognition of gain on disposal of a property and a subsidiary of approximately HK$16.25 million.

Iron and steel operation reported a revenue of approximately HK$216.75 million, accounting for approximately 16.6% of the Group's total revenue. Segment result for the year amounted to a profit of approximately HK$3.41 million compared with that of approximately HK$8.03 million last year. The decrease in operating profit for the year was mainly due to the decrease in share of profit from an associate.

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$1,216.46 million (2010: HK$1,146.70 million) and approximately HK$92.55 million (2010: HK$99.47 million) respectively.

LIQUIDITY AND FINANCIAL INFORMATION

The Group's business operation was generally financed by its internal funding and bank borrowings. Total cash balances amounted to approximately HK$319.48 million as at 31 December 2011 compared with approximately HK$283.66 million as at 31 December 2010. Bank and other borrowings amounted to approximately HK$139.18 million as at 31 December 2011 compared with approximately HK$150.87 million as at 31 December 2010. The Group's bank and other borrowings mainly carried interest at floating rates. Of the Group's total bank and other borrowings as at 31 December 2011, approximately HK$100.19 million (72.0%) was payable within one year, approximately HK$5.60 million (4.0%) was payable in the second year, approximately HK$17.28 million (12.4%) was payable in the third to fifth years and the remaining balance of HK$16.11 million (11.6%) was 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 results 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 17.1% as at 31 December 2011 compared with 19.7% as at 31 December 2010. Liquidity ratio of the Group which expressed as a percentage of current assets to current liabilities was 1.76 times as at 31 December 2011 compared with 1.58 times as at 31 December 2010.

Equity and Net Assets Value

Shareholders' funds of the Group as at 31 December 2011 was approximately HK$874.34 million compared with approximately HK$819.44 million as at 31 December 2010. 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 2011 was approximately HK$814.28 million compared with approximately HK$764.16 million as at 31 December 2010. Net assets value per share as at 31 December 2011 was HK$0.46 compared with HK$0.44 as at 31 December 2010.

LIQUIDITY AND FINANCIAL INFORMATION (continued)

Contingent Liabilities

At 31 December 2011, guarantees issued by the Company to bankers to secure general banking facilities granted to various subsidiaries outstanding as at 31 December 2011 amounted to HK$68.80 million compared with HK$63.86 million as at 31 December 2010.

Pledge of Assets

Certain land and buildings, investment properties, trade receivables and cash deposits with aggregate net book value of HK$492.32 million as at 31 December 2011 (31 December 2010: HK$486.15 million) were pledged as collaterals for bank and other borrowings. At 31 December 2011, total outstanding secured bank and other borrowings amounted to HK$126.85 million as compared with HK$125.04 million as at 31 December 2010.

STAFF

Headcount as at 31 December 2011 was 1,156 (31 December 2010: 1,263). Staff costs (excluding directors' emoluments) amounted to HK$157.73 million for the year as compared with HK$144.93 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 2011, 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	:	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	:	Chan Wa Shek *(as from 22 September 2011)*
		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 *(up to 21 September 2011)*
		Steven Chow
Alternate Director	:	Chong Shaw Swee, Alan (alternate to Hung Ting Ho, Richard) *(appointed on 5 August 2011)*

The biographical details of the directors and the relationships among them are set out in the "Biographies of directors and senior management" on pages 21 to 24.

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 have diversified expertise and experiences. They provide invaluable contribution and independent judgement on issues of strategic development, performance and accountability. The Company currently has three independent non-executive directors 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 nine 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		
Lam Ting Ball, Paul	8/9	1/1
Tsui Ho Chuen, Philip	9/9	1/1
Tsui Yam Tong, Terry	9/9	1/1
Chong Chi Kwan	6/9	1/1
Non-executive Directors		
Chan Wa Shek	3/9	1/1
Hung Ting Ho, Richard	4/9	1/1
Zhang Yulin	3/9	1/1
Ko Sheung Chi	3/9	1/1
Independent Non-executive Directors		
Sir David Akers-Jones	4/9	1/1
Danny T Wong	4/9	1/1
Steven Chow	3/9	1/1

THE BOARD (continued)

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.

BOARD COMMITTEES (continued)

Audit Committee

During the year, the audit committee consisted of three non-executive directors (the majority of whom are independent): 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 2010 annual results and the 2011 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

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, Chan Wa Shek (resigned on 22 September 2011) and Danny T Wong (appointed on 22 September 2011).

BOARD COMMITTEES (continued)

Remuneration Committee (continued)

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 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 *(resigned on 22 September 2011)*	1/1	1/1
Danny T Wong *(appointed on 22 September 2011)*	—	—

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 that 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 2011 or during the period from his appointment to 31 December 2011 (as for the director appointed during 2011).

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.

EXTERNAL AUDITORS' REMUNERATION

In 2011, the remuneration of the Company's external auditors, Ernst & Young, is set out below:

Services rendered to the Group	Remuneration
	HK$
Audit services	2,350,000
Non-audit services	210,000
	2,560,000

The non-audit services rendered by the external auditors included: performance of agreed-upon procedures on the Group's 2011 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 2011, 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 34 to 35.

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 2011 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 2011 for the shareholders' approval were passed.

On behalf of the board of
CNT GROUP LIMITED

Lam Ting Ball, Paul
Chairman
29 March 2012

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of the principal subsidiaries and associates are set out in notes 20 and 21, respectively, to the financial statements.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2011 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 36 to 162.

The directors have resolved to recommend the payment of a final dividend of HK0.5 cent per share to the shareholders by way of distribution out of the contributed surplus. The final dividend, if approved by the shareholders at the forthcoming annual general meeting, will be paid on Wednesday, 29 August 2012 to the shareholders whose names appear on the Company's register of members on Friday, 20 July 2012.

MAJOR SUPPLIERS AND CUSTOMERS

In the year under review, purchases from the Group's five largest suppliers accounted for approximately 32% of the total purchases for the year and purchases from the largest supplier included therein amounted to 14%. Sales to the Group's five largest customers accounted for less than 30% of the total sales for the year.

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

SUMMARY OF FINANCIAL INFORMATION

The following table summarises the published results, assets, liabilities and non-controlling 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				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
Revenue	**1,309,221**	1,246,634	1,026,560	941,817	734,806
Operating profit/(loss)	**59,205**	41,550	53,623	(63,815)	19,094
Share of profits and losses of associates	**2,506**	3,572	864	873	885
Profit/(loss) before tax	**61,711**	45,122	54,487	(62,942)	19,979
Income tax expenses	**(20,197)**	(10,633)	(22,219)	(8,237)	(10,976)
Profit/(loss) for the year	**41,514**	34,489	32,268	(71,179)	9,003
PROFIT/(LOSS) ATTRIBUTABLE TO:					
Owners of the parent	**41,836**	34,865	32,406	(71,515)	12,302
Non-controlling interests	**(322)**	(376)	(138)	336	(3,299)
	41,514	34,489	32,268	(71,179)	9,003
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
Total assets	**1,375,555**	1,301,596	1,100,349	969,452	990,761
Total liabilities	**(497,510)**	(478,320)	(440,546)	(341,718)	(307,245)
Non-controlling interests	**(3,710)**	(3,832)	(4,056)	(4,194)	(3,632)
	874,335	819,444	655,747	623,540	679,884

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 15 to the financial statements.

INVESTMENT PROPERTIES

Details of movements in the investment properties of the Group during the year are set out in note 16 to the financial statements. Further details of the Group's investment properties are set out on page 163.

PROPERTIES UNDER DEVELOPMENT

Details of movements in the properties under development of the Group during the year are set out in note 17 to the financial statements. Further details of the Group's properties under development are set out on page 164.

SHARE CAPITAL

Details of movements in the Company's share capital during the year, together with the reasons therefor, are set out in note 36 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 38(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2011, 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$12,000.

DIRECTORS

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

Executive Directors
Lam Ting Ball, Paul
Tsui Ho Chuen, Philip
Tsui Yam Tong, Terry
Chong Chi Kwan

Non-executive Directors
Chan Wa Shek *(as from 22 September 2011)*
Hung Ting Ho, Richard
Zhang Yulin
Ko Sheung Chi

Independent Non-executive Directors
Sir David Akers-Jones
Danny T Wong
Chan Wa Shek *(up to 21 September 2011)*
Steven Chow

Alternate Director
Chong Shaw Swee, Alan (alternate to Hung Ting Ho, Richard) *(appointed on 5 August 2011)*

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

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Directors

Name	Age	Position held	Number of years of service	Business experience
Executive Directors				
Lam Ting Ball, Paul	70	Chairman	39	More than 39 years' experience in the paint industry
Tsui Ho Chuen, Philip	48	Executive Deputy Chairman	27	Solicitor
Tsui Yam Tong, Terry	66	Managing Director	25	More than 39 years' experience in administration and management
Chong Chi Kwan	44	Finance Director	6	More than 20 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				
Chan Wa Shek CBE, ISO	81	Non-executive Director	5	Former Commissioner of Correctional Services of Hong Kong
Hung Ting Ho, Richard	58	Non-executive Director	10	More than 34 years' experience in business and financial management
Zhang Yulin	48	Non-executive Director	5	More than 15 years' experience in finance and management
Ko Sheung Chi	55	Non-executive Director	5	More than 31 years' experience in general management

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Directors (continued)

Name	Age	Position held	Number of years of service	Business experience
Independent Non-executive Directors				
Sir David Akers-Jones GBM, KBE, CMG, JP	85	Deputy Chairman and Independent Non-executive Director	21	Former Chief Secretary specialising in land planning and housing development
Danny T Wong	66	Independent Non-executive Director	8	More than 37 years' experience in finance, accounting and management
Steven Chow	67	Independent Non-executive Director	5	More than 35 years' experience in finance and management
Alternate Director				
Chong Shaw Swee, Alan	60	Alternate Director to Hung Ting Ho, Richard	1	Extensive experience in business development and investment in Hong Kong, Mainland China and Southeast Asia

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 ("Midas") which is a 60.76% owned subsidiary 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 5.18% of the issued share capital of the Company.

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

(6) Mr. Chong Shaw Swee, Alan is the chairman and executive director of Chuang's Consortium, the honorary chairman of Chuang's China Investments Limited ("Chuang's China") and Midas, and a director of Profit Stability and Evergain Holdings Limited ("Evergain"). Chuang's Consortium, Chuang's China, Profit Stability and Evergain are shareholders of the Company discloseable under Part XV of the SFO. Mr. Chong is the controlling shareholder of Chuang's Consortium.

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:

(1) Mr. Chan Wa Shek has been re-designated from an independent non-executive director to a non-executive director of the Company with effect from 22 September 2011.

(2) Details of changes in the directors' remuneration are set out in note 8 to the financial statements.

(3) The monthly salary of Mr. Lam Ting Ball, Paul will be revised from HK$89,000 to HK$100,000 with effect from 1 April 2012. The Company continues to provide him with accommodation on the Group's premises with estimated rental value of approximately HK$70,000 per month.

(4) The monthly salary of Mr. Chong Chi Kwan has been revised from HK$50,000 to HK$75,000 with effect from 1 March 2012, while his fixed monthly travelling allowance of RMB5,000 remains unchanged.

(5) Mr. Chong Shaw Swee, Alan is the honorary president of Fujian International Culture & Economy Exchange Foundation and the vice president of the Committee for the Promotion of Fujian-Taiwan Economic Cooperation. He resigned as a director of the Hong Kong Digestive Foundation Limited.

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, and Mr. Chong Shaw Swee, Alan holds equity interests and 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

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.

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 options" 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 2011, the interests of the directors of the Company in the shares and underlying shares of the Company as recorded in the register maintained by the Company pursuant to Section 352 of the SFO were as follows:

(i) Shares

			Number of shares					
Name	Note	**Capacity**	**Personal interests**	**Family interests**	**Corporate interests**	**Other interests**	**Total**	**Percentage of issued share capital**
Tsui Ho Chuen, Philip	1	Beneficial owner & beneficiary of trust	19,681,414	–	–	346,231,521	365,912,935	19.37%
Tsui Yam Tong, Terry	1	Beneficial owner, beneficiary of trust & interest of controlled corporation	–	–	346,231,521*	346,231,521*	346,231,521	18.33%
Chong Shaw Swee, Alan	2	Interest of controlled corporations	–	–	196,149,655	–	196,149,655	10.38%

* 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	3	Beneficiary of trust	option	98,000,000
Tsui Yam Tong, Terry	3	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 details of the interest of controlled corporations held by Mr. Chong Shaw Swee, Alan are shown in note (6) to the heading "Interests and short positions of shareholders discloseable under the SFO" on page 32.

(3) 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 2011, 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 OPTIONS

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 188,840,569 (as refreshed by the approval of the shareholders on 30 June 2010) which represents 10% 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.

A resolution to adopt a new share option scheme will be proposed at the forthcoming annual general meeting to be held on 28 June 2012, and details of the proposed new share option scheme are set out in the circular sent together with this annual report.

SHARE OPTIONS (continued)

Details of the movement in the share options of the Company during the year are as follows:

					Number of shares under options			
Category of eligible participants	**Date of grant**	**Exercise period**	**Exercise price per share**	**Balance at 1.1.2011**	**Granted during the year**	**Exercised during the year**	**Cancelled/ lapsed during the year**	**Balance at 31.12.2011**
			HK$					
Continuous contract employees	27.5.2010	27.5.2010 to 26.5.2015	0.44	152,800,000	–	–	–	152,800,000

Note:

The vesting periods of the options granted are as follows:

10% : 27 May 2010 to 26 May 2011
10% : 27 May 2010 to 26 May 2012
10% : 27 May 2010 to 26 May 2013
20% : 27 May 2010 to 26 May 2014

50% of the options granted is exercisable on the date of grant.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31 December 2011, 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	—	18.33%
	1	Trustee	—	98,000,000	5.18%
Ho Mei Po, Mabel	2	Interest of spouse	365,912,935	—	19.37%
	2	Interest of spouse	—	98,000,000	5.18%
Wang Wing Mu, Amy	3	Interest of spouse	359,053,290	—	19.01%
	3	Interest of spouse	—	98,000,000	5.18%
Ng Shou Ping, Lucilla	4	Interest of spouse	346,231,521	—	18.33%
	4	Interest of spouse	—	98,000,000	5.18%
Diamond Season Limited	5	Beneficial owner	314,734,281	—	16.66%
Rightwood Enterprises Inc.	5	Interest of controlled corporation	314,734,281	—	16.66%
Lai Kar Yan, Derek	5	Trustee	314,734,281	—	16.66%
Lo Kin Ching, Joseph	5	Trustee	314,734,281	—	16.66%
Chinaculture.com Limited	6	Beneficial owner	196,149,655	—	10.38%
Chuang's China	6	Interest of controlled corporation	196,149,655	—	10.38%
Profit Stability	6	Interest of controlled corporations	196,149,655	—	10.38%

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**
Chuang's Consortium	6	Interest of controlled corporations	196,149,655	—	10.38%
Evergain	6	Interest of controlled corporations	196,149,655	—	10.38%
Chong Ho Pik Yu	6	Interest of spouse	196,149,655	—	10.38%
Below 10% of issued share capital					
West Avenue Group Co., Ltd.	7	Beneficial owner	162,216,693	—	8.59%
Tsai Wu Chang	7	Interest of controlled corporation	162,216,693	—	8.59%
Broadsino	8	Beneficial owner	98,000,000	—	5.18%

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 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 in the capacity of the beneficial owner and the founder of a discretionary trust 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 346,231,521 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 314,734,281 shares relate to the same block of 314,734,281 shares beneficially interested by Diamond Season Limited ("Diamond Season").

Diamond Season was a wholly-owned subsidiary of Rightwood Enterprises Inc. ("Rightwood"), which in turn was wholly owned by Mr. Lai Kar Yan also known as Mr. Lai Kar Yan, Derek ("Mr. Lai") and Mr. Lo Kin Ching, Joseph ("Mr. Lo") as joint and several administrators pendente lite of the Estate of Kung, Nina.

Rightwood, Mr. Lai and Mr. Lo were all deemed under the SFO to be interested in these 314,734,281 shares which were owned by Diamond Season.

(6) The references to the 196,149,655 shares relate to the same block of 196,149,655 shares beneficially interested by Chinaculture.com Limited ("Chinaculture").

Chinaculture was a wholly-owned subsidiary of Chuang's China, which in turn was a 57.04% owned subsidiary of Profit Stability. Chuang's Consortium held 100% equity interest in Profit Stability. Evergain was interested in 40.49% of the issued share capital of Chuang's Consortium. Mr. Chong Shaw Swee, Alan was interested in 100% of the issued share capital of Evergain. Ms. Chong Ho Pik Yu ("Mrs. Chong") is the wife of Mr. Chong Shaw Swee, Alan.

Chuang's China, Profit Stability, Chuang's Consortium, Evergain, Mr. Chong Shaw Swee, Alan and Mrs. Chong were all deemed under the SFO to be interested in these 196,149,655 shares which were owned by Chinaculture.

(7) The 162,216,693 shares were beneficially owned by West Avenue Group Co., Ltd. ("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.

(8) 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.

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 2011 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 2011 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
29 March 2012

ERNST & YOUNG
安永

To the shareholders of CNT Group Limited

(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of CNT Group Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 36 to 162, which comprise the consolidated and company statements of financial position as at 31 December 2011, 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 information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view 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, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated 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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 consolidated 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 consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011, 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
22nd Floor, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong
29 March 2012

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
REVENUE	5	**1,309,221**	1,246,634
Cost of sales		**(1,017,198)**	(929,244)
Gross profit		**292,023**	317,390
Other income and gains	5	**27,008**	12,840
Selling and distribution costs		**(142,538)**	(151,603)
Administrative expenses		**(113,018)**	(116,893)
Other expenses, net		**(7,460)**	(10,913)
Equity-settled share option expense	37	**(6,478)**	(11,871)
Fair value gains on investment properties, net	16	**13,785**	8,692
Finance costs	7	**(4,117)**	(6,092)
Share of profits and losses of associates		**2,506**	3,572
PROFIT BEFORE TAX	6	**61,711**	45,122
Income tax expenses	10	**(20,197)**	(10,633)
PROFIT FOR THE YEAR		**41,514**	34,489
PROFIT/(LOSS) ATTRIBUTABLE TO:			
Owners of the parent	11	**41,836**	34,865
Non-controlling interests		**(322)**	(376)
		41,514	34,489
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	13		
Basic and diluted		**HK2.22 cents**	HK1.99 cents

Details of the proposed dividend for the year are disclosed in note 12 to these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2011

	2011 HK$'000	2010 HK$'000
PROFIT FOR THE YEAR	**41,514**	34,489
OTHER COMPREHENSIVE INCOME		
Gain on property revaluation	**4,767**	–
Share of other comprehensive income of an associate	**1,315**	–
Exchange differences on translation of foreign operations	**19,579**	11,129
OTHER COMPREHENSIVE INCOME FOR THE YEAR	**25,661**	11,129
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**67,175**	45,618
TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO:		
Owners of the parent	**67,297**	45,842
Non-controlling interests	**(122)**	(224)
	67,175	45,618

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**311,821**	309,784
Investment properties	16	**141,825**	138,444
Properties under development	17	**28,000**	28,000
Prepaid land lease payments	18	**23,034**	22,541
Intangible asset	19	**—**	1,300
Interests in associates	21	**10,734**	7,597
Available-for-sale investments	22	**125,783**	126,163
Deposits for purchases of items of property, plant and equipment	23	**9,384**	12,576
Net pension scheme assets	24	**2,531**	2,171
Deferred tax assets	34	**5,560**	—
Total non-current assets		**658,672**	648,576
CURRENT ASSETS			
Inventories	25	**81,160**	79,932
Trade and bills receivables	26	**292,287**	255,229
Prepayments, deposits and other receivables	27	**23,660**	13,902
Equity investment at fair value through profit or loss	28	**300**	174
Pledged deposits	29	**—**	1,956
Cash and cash equivalents	29	**319,476**	281,701
		716,883	632,894
Non-current assets classified as held for sale	14	**—**	20,126
Total current assets		**716,883**	653,020
CURRENT LIABILITIES			
Trade and bills payables	30	**167,822**	171,896
Other payables and accruals	31	**127,708**	128,277
Due to an associate	21	**2,200**	1,900
Interest-bearing bank and other borrowings	32	**100,186**	106,125
Tax payable		**9,466**	6,013
Total current liabilities		**407,382**	414,211
NET CURRENT ASSETS		**309,501**	238,809
TOTAL ASSETS LESS CURRENT LIABILITIES		**968,173**	887,385

31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**968,173**	887,385
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	32	**38,990**	44,745
Deferred tax liabilities	34	**22,206**	15,078
Deferred income	35	**4,168**	4,286
Provision	31	**24,764**	—
Total non-current liabilities		**90,128**	64,109
Net assets		**878,045**	823,276
EQUITY			
Equity attributable to owners of the parent			
Issued capital	36	**188,841**	188,841
Reserves	38(a)	**685,494**	630,603
		874,335	819,444
Non-controlling interests		**3,710**	3,832
Total equity		**878,045**	823,276

Lam Ting Ball, Paul
Director

Tsui Ho Chuen, Philip
Director

Year ended 31 December 2011

	Notes	Issued share capital HK$'000 (note 36)	Share premium account HK$'000	Share option reserve HK$'000 (note 38(b))	Contributed surplus HK$'000 (note 38(a))	Leasehold land and building revaluation reserve HK$'000	Investment property revaluation reserve* HK$'000	General reserve HK$'000 (note 38(a))	Exchange fluctuation reserve HK$'000	Reserve funds** HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
		Attributable to owners of the parent												
At 1 January 2010		157,367	6,635	–	377,677	41,732	13,557	10,144	12,286	28,866	7,483	655,747	4,056	659,803
Profit/(loss) for the year		–	–	–	–	–	–	–	–	–	34,865	34,865	(376)	34,489
Other comprehensive income for the year:														
Exchange differences on translation of foreign operations		–	–	–	–	–	–	–	10,977	–	–	10,977	152	11,129
Total comprehensive income/(loss) for the year		–	–	–	–	–	–	–	10,977	–	34,865	45,842	(224)	45,618
Issue of shares	36	31,474	74,671	–	–	–	–	–	–	–	–	106,145	–	106,145
Share issue expenses	36	–	(161)	–	–	–	–	–	–	–	–	(161)	–	(161)
Equity-settled share option arrangement	37	–	–	11,871	–	–	–	–	–	–	–	11,871	–	11,871
At 31 December 2010 and at 1 January 2011		188,841	81,145#	11,871#	377,677#	41,732#	13,557#	10,144#	23,263#	28,866#	42,348#	819,444	3,832	823,276
Profit/(loss) for the year		–	–	–	–	–	–	–	–	–	41,836	41,836	(322)	41,514
Other comprehensive income for the year:														
Gain on property revaluation		–	–	–	–	4,767	–	–	–	–	–	4,767	–	4,767
Share of other comprehensive income of an associate		–	–	–	–	–	–	–	79	1,236	–	1,315	–	1,315
Exchange differences on translation of foreign operations		–	–	–	–	–	–	–	19,379	–	–	19,379	200	19,579
Total comprehensive income/(loss) for the year		–	–	–	–	4,767	–	–	19,458	1,236	41,836	67,297	(122)	67,175
Final 2010 dividend declared and paid	12	–	–	–	(18,884)	–	–	–	–	–	–	(18,884)	–	(18,884)
Equity-settled share option arrangement	37	–	–	6,478	–	–	–	–	–	–	–	6,478	–	6,478
At 31 December 2011		**188,841**	**81,145#**	**18,349#**	**358,793#**	**46,499#**	**13,557#**	**10,144#**	**42,721#**	**30,102#**	**84,184#**	**874,335**	**3,710**	**878,045**

* *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 the current and 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 only upon the disposal or retirement of the relevant assets and such transfer is not made in the consolidated income statement.*

** *Pursuant to the relevant laws and regulations for foreign investment enterprises, a portion of the profit of certain subsidiaries and an associate 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. These PRC entities are not required to effect any further transfer when the amount of the PRC reserve funds reach 50% of their registered capital. The PRC reserve funds can be used to make good their future losses or to increase their registered capital.*

\# *These reserve accounts comprise the consolidated reserves of HK$685,494,000 (2010: HK$630,603,000) in the consolidated statement of financial position.*

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**61,711**	45,122
Adjustments for:			
Finance costs	7	**4,117**	6,092
Share of profits and losses of associates		**(2,506)**	(3,572)
Bank interest income	5	**(1,860)**	(1,336)
Dividend income from an available-for-sale investment	5	**—**	(251)
Dividend income from an equity investment at fair value through profit or loss	5	**—**	(3)
Depreciation	6	**34,847**	23,810
Amortisation of an intangible asset	6	**150**	150
Amortisation of prepaid land lease payments	6	**536**	511
Recognition of deferred income	5	**(308)**	(332)
Gain on disposal of non-current assets classified as held for sale	5	**(6,400)**	—
Gain on disposal of a subsidiary	5	**(9,853)**	—
Loss on disposal of items of property, plant and equipment, net	6	**1,496**	3,083
Write-off of items of property, plant and equipment	6	**2,047**	4,207
Fair value gains on investment properties, net	16	**(13,785)**	(8,692)
Fair value gain on an equity investment at fair value through profit or loss – held for trading	5	**(126)**	(88)
Impairment of available-for-sale investments	6	**—**	2,000
Impairment of an intangible asset	6	**1,150**	1,400
Write-down/(write-back) of inventories to net realisable value	6	**(941)**	1,028
Provision for/(reversal of) impairment of trade receivables	6	**4,331**	(2,566)
Impairment of an amount due from an associate	6	**120**	114
Equity-settled share option expense	37	**6,478**	11,871
Provision for employee termination benefits	6	**24,764**	—
		105,968	82,548
Decrease/(increase) in inventories		**3,044**	(3,730)
Increase in trade and bills receivables		**(32,178)**	(28,599)
Decrease/(increase) in prepayments, deposits and other receivables		**(9,060)**	14,077
Increase/(decrease) in trade and bills payables		**(11,813)**	19,332
Increase/(decrease) in other payables and accruals		**(3,773)**	14,956
Exchange realignment		**2,592**	(1,408)
Cash generated from operations		**54,780**	97,176

Year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Cash generated from operations		**54,780**	97,176
Interest paid		**(4,345)**	(6,271)
Interest element of finance lease rental payments		**(32)**	(87)
Overseas taxes paid		**(15,350)**	(17,268)
Hong Kong profits tax refunded		**—**	275
Net cash flows from operating activities		**35,053**	73,825
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(34,424)**	(39,607)
Proceeds from disposal of items of property, plant and equipment		**2,030**	5,012
Proceeds from sale of non-current assets classified as held for sale		**26,246**	—
Proceeds from sale of an available-for-sale investment	22	**400**	—
Additions to investment properties	16	**(633)**	(345)
Investment in an associate		**(394)**	(1,886)
Advances to an associate		**(120)**	(114)
Increase in net pension scheme assets	24(b)	**(360)**	(181)
Interest received		**1,530**	1,336
Dividend received from an associate		**1,078**	1,041
Dividend received from an available-for-sale investment		**—**	251
Dividend received from an equity investment at fair value through profit or loss		**—**	3
Disposal of a subsidiary	39	**30,828**	—
Purchase of an available-for-sale investment		**(20)**	(5,000)
Deposits paid for purchases of items of property, plant and equipment	23	**(1,320)**	(5,696)
Decrease/(increase) in time deposits with original maturity of more than three months when acquired		**22,772**	(27,915)
Net cash flows from/(used in) investing activities		**47,613**	(73,101)

Year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	36	—	106,145
Share issue expenses	36	—	(161)
New bank loans		**531,848**	260,845
Repayment of bank loans		**(544,689)**	(251,020)
Repayment of other loan		—	(9,149)
Dividend paid		**(18,884)**	—
Advance from an associate		**300**	300
Capital element of finance lease rental payments		**(686)**	(1,333)
Net cash flows from/(used in) financing activities		**(32,111)**	105,627
NET INCREASE IN CASH AND CASH EQUIVALENTS		**50,555**	106,351
Cash and cash equivalents at beginning of year		**248,846**	138,126
Effect of foreign exchange rate changes, net		**8,036**	4,369
CASH AND CASH EQUIVALENTS AT END OF YEAR		**307,437**	248,846
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	29	**172,781**	170,384
Non-pledged time deposits with original maturity of less than three months when acquired	29	**134,656**	76,506
Pledged time deposits with original maturity of less than three months when acquired	29	—	1,956
Cash and cash equivalents as stated in the consolidated statement of cash flows		**307,437**	248,846
Time deposits with original maturity of more than three months when acquired	29	**12,039**	34,811
Cash and cash equivalents and pledged deposits as stated in the consolidated statement of financial position		**319,476**	283,657

STATEMENT OF FINANCIAL POSITION

31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**344**	390
Interests in subsidiaries	20	**518,672**	518,977
Total non-current assets		**519,016**	519,367
CURRENT ASSETS			
Prepayments, deposits and other receivables	27	**348**	547
Cash and cash equivalents	29	**14,586**	11,187
Total current assets		**14,934**	11,734
CURRENT LIABILITIES			
Other payables and accruals	31	**3,291**	4,678
Interest-bearing other borrowings	32	**15**	15
Total current liabilities		**3,306**	4,693
NET CURRENT ASSETS		**11,628**	7,041
TOTAL ASSETS LESS CURRENT LIABILITIES		**530,644**	526,408
NON-CURRENT LIABILITIES			
Interest-bearing other borrowings	32	**40**	31
Net assets		**530,604**	526,377
EQUITY			
Issued capital	36	**188,841**	188,841
Reserves	38(b)	**341,763**	337,536
Total equity		**530,604**	526,377

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, 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 and related investments
- 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 2011. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. 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 intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

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.

HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards - Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters*
HKAS 24 (Revised)	*Related Party Disclosures*
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*
Improvements to HKFRSs 2010	Amendments to a number of HKFRSs issued in May 2010

Other than as further explained below regarding the impact of HKAS 24 (Revised), and amendments to HKAS 1 and HKAS 27 included in *Improvements to HKFRSs 2010*, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

The principal effects of adopting these HKFRSs are as follows:

(i) HKAS 24 (Revised) *Related Party Disclosures*

HKAS 24 (Revised) clarifies and simplifies the definitions of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The adoption of the revised standard did not have any impact on the financial position or performance of the Group. Details of the related party transactions, including the related comparative information, are included in note 45 to the consolidated financial statements.

(ii) *Improvements to HKFRSs 2010 i*ssued in May 2010 sets out amendments to a number of HKFRSs. 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 has had a significant financial impact on the financial position or performance of the Group. Details of the key amendments most applicable to the Group are as follows:

- HKAS 1 *Presentation of Financial Statements:* The amendment clarifies that an analysis of each component of other comprehensive income can be presented either in the statement of changes in equity or in the notes to the financial statements. The Group elects to present the analysis of each component of other comprehensive income in the statement of changes in equity.

- HKAS 27 *Consolidated and Separate Financial Statements:* The amendment clarifies that the consequential amendments from HKAS 27 (as revised in 2008) made to HKAS 21, HKAS 28 and HKAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if HKAS 27 is applied earlier.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*[1]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*[1]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*[4]
HKFRS 9	*Financial Instruments*[6]
HKFRS 10	*Consolidated Financial Statements*[4]
HKFRS 11	*Joint Arrangements*[4]
HKFRS 12	*Disclosure of Interests in Other Entities*[4]
HKFRS 13	*Fair Value Measurement*[4]
HKAS 1 Amendments	*Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*[3]
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*[2]
HKAS 19 (2011)	*Employee Benefits*[4]
HKAS 27 (2011)	*Separate Financial Statements*[4]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*[4]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[5]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*[4]

[1] Effective for annual periods beginning on or after 1 July 2011
[2] Effective for annual periods beginning on or after 1 January 2012
[3] Effective for annual periods beginning on or after 1 July 2012
[4] Effective for annual periods beginning on or after 1 January 2013
[5] Effective for annual periods beginning on or after 1 January 2014
[6] Effective for annual periods beginning on or after 1 January 2015

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

Further information about those changes that are expected to significantly affect the Group is as follows:

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.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt HKFRS 9 from 1 January 2015.

HKFRS 10 establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled, compared with the requirements in HKAS 27 and HK(SIC)-Int 12 *Consolidation – Special Purpose Entities*. HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in HK(SIC)-Int 12.

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK(SIC)-Int *13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e., joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation.

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

HKFRS 12 includes the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities that are previously included in HKAS 27 *Consolidated and Separate Financial Statements,* HKAS 31 *Interests in Joint Ventures* and HKAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities.

Consequential amendments were made to HKAS 27 and HKAS 28 as a result of the issuance of HKFRS 10, HKFRS 11 and HKFRS 12. The Group expects to adopt HKFRS 10, HKFRS 11, HKFRS 12, and the consequential amendments to HKAS 27 and HKAS 28 from 1 January 2013.

HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. The Group expects to adopt HKFRS 13 prospectively from 1 January 2013.

Amendments to HKAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items which will never be reclassified. The Group expects to adopt the amendments from 1 January 2013.

HKAS 12 Amendments clarify the determination of deferred tax for investment property measured at fair value. The amendments introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, the amendments incorporate the requirement previously in HK(SIC)-Int 21 *Income Taxes – Recovery of Revalued Non-Depreciable Assets* that deferred tax on non-depreciable assets, measured using the revaluation model in HKAS 16, should always be measured on a sale basis. The Group expects to adopt HKAS 12 Amendments from 1 January 2012. Upon the adoption, the Group's deferred tax liability with respect to investment properties located in Hong Kong is expected to be reduced.

HKAS 19 (2011) includes a number of amendments that range from fundamental changes to simple clarifications and re-wording. The revised standard introduces significant changes in the accounting for defined benefit pension plans including removing the choice to defer the recognition of actuarial gains and losses. Other changes include modifications to the timing of recognition for termination benefits, the classification of short-term employee benefits and disclosures of defined benefit plans. The Group expects to adopt HKAS 19 (2011) from 1 January 2013.

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 investments 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 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. Adjustments are made to bring into line any dissimilar accounting policies that may exist. 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 investments in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates is included as part of the Group's interests in associates and is not individually tested for impairment.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contracts for services, deferred tax assets, 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 such 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 is a person or a close member of that person's family and that person

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a); and
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost or valuation less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where 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 depreciates them accordingly.

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. 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

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 mainly represents buildings and leasehold improvements under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Non-current assets held for sale

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

Non-current assets classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment classified as held for sale are not depreciated.

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, including prepaid land lease payments under 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.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

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 net of any incentives received from the lessor are charged to the income statement on the straight-line basis over the lease terms.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets

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 investments, 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 transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

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, trade and bills receivables, deposits and other receivables, loans to associates, an equity investment at fair value through profit or loss, pledged deposits and cash and cash equivalents.

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 and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in other income and gains or finance costs 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Financial assets at fair value through profit or loss (continued)

Financial assets designated upon initial recognition at fair value through profit or loss are designated at the date of initial recognition and only if the criteria under HKAS 39 are satisfied.

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, in rare circumstances, 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. 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. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation as these instruments cannot be reclassified after initial recognition.

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.

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 by 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 other expenses.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Available-for-sale financial investments

Available-for-sale financial investments of the Group are non-derivative financial assets in unlisted equity investments. 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.

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, when the cumulative gain or loss is reclassified from the separate component of equity to the income statement. Interest and dividends earned whilst holding the available-for-sale financial investments 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 investments 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 investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, 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. 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 Group has the ability and intent to hold until the maturity date of the financial asset.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and 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 maturity amount 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, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it 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.

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 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

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 yet 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.

The carrying amount of the asset is reduced 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

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. 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 plus, in the case of loans and borrowings, directly attributable transaction costs.

The Group's financial liabilities include amounts due to associates, 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. These 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 option pricing models.

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.

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

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

- when 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 the rendering of services, on the percentage of completion basis, as further explained in the accounting policy for "Contacts for services" below;

(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 exactly 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)

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)

Share-based payment transactions

The Company operates share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees 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, further details of which are given in note 37 to the financial statements.

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.

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 certain specific percentage of their 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.

Dividends

Final dividend distribution to the Company's shareholders is recognised as a liability in the statement of financial position when the dividends are declared and approved by the shareholders in a general meeting.

Foreign currencies

These financial statements are presented in HK$, 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 arising on settlement or translation of monetary items 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 gain or loss arising on retranslation of a non-monetary item is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation differences on item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

The functional currencies of certain overseas subsidiaries and associates are currencies other than the HK$. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and their income statements are translated into HK$ 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 HK$ 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 HK$ 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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

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.

Deferred tax liabilities

Deferred tax liabilities are recognised for withholding tax in respect of the unremitted earnings of certain subsidiaries of the Group established in Mainland China to the extent that the directors are of the opinion that they would be probable for distribution in foreseeable future. Significant management judgement is required to determine the amount of deferred tax liabilities that should be recognised. Further details are contained in note 34 to the financial statements.

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 described 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 the 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 2011 was HK$141,825,000 (2010: HK$138,444,000).

As at 31 December 2010, an investment property of the Group in Hong Kong with a carrying amount of HK$21,000,000 was estimated based on the assumption that the corresponding extension of a building covenant had been approved by the Lands Department of Hong Kong at the provision of certain estimated premium.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Impairment of intangible assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for intangible assets (other than goodwill) at the end of each reporting period. Intangible assets with finite lives are assessed for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an intangible asset exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the intangible asset and choose a suitable discount rate in order to calculate the present value of those cash flows.

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 2011 was HK$125,783,000 (2010: HK$126,163,000), net of impairment of HK$109,083,000 (2010: HK$110,783,000).

For the year ended 31 December 2011, no impairment losses (2010: HK$2,000,000) were recognised for available-for-sale investments.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Impairment of properties under development

The Group assesses whether there are any indicators of impairment for its properties under development situated 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. The estimated sales 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 at the end of each reporting period.

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.

Provision for employee termination benefits

Provision for employee termination benefits is made based on the applicable labour law of the PRC and the detailed relocation plan of the Group. The determination of employee termination benefits involves the exercise of judgement on interpretation of the relevant rules and regulations and estimation of employee turnover. The Group's management reviews its estimation on an ongoing basis and revises where appropriate.

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 related investments; and

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

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, dividend 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, deferred tax assets, 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 31 December 2011	Paint products HK$'000	Property investment HK$'000	Iron and steel trading HK$'000	Others HK$'000	Total HK$'000
Segment revenue:					
Sales to external customers	1,086,271	6,197	216,753	—	1,309,221
Intersegment sales	—	7,070	—	—	7,070
Other revenue	7,047	30,109	1,125	652	38,933
	1,093,318	43,376	217,878	652	1,355,224
Reconciliation:					
Elimination of intersegment sales					(7,070)
Total revenue					1,348,154
Segment results	44,485	33,855	3,410	(5,099)	76,651
Reconciliation:					
Elimination of intersegment results					7,744
Interest income					1,860
Finance costs					(4,117)
Equity-settled share option expense					(6,478)
Corporate and other unallocated expenses					(13,949)
Profit before tax					61,711

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2011	Paint products HK$'000	Property investment HK$'000	Iron and steel trading HK$'000	Others HK$'000	Total HK$'000
Segment assets	557,349	313,738	45,709	131,285	1,048,081
Reconciliation:					
Elimination of intersegment receivables					(1,222)
Corporate and other unallocated assets					328,696
Total assets					1,375,555
Segment liabilities	314,748	7,199	2,298	324	324,569
Reconciliation:					
Elimination of intersegment payables					(1,222)
Corporate and other unallocated liabilities					174,163
Total liabilities					497,510

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2011	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	—	1,242	2,878	(1,614)	2,506
Interests in associates	—	2,104	8,630	—	10,734
Depreciation	30,233	4,501	1	5	34,740
Corporate and other unallocated					107
					34,847
Amortisation of an intangible asset	—	—	—	150	150
Capital expenditure	35,486	832	—	17	36,335
Corporate and other unallocated					67
					36,402*
Fair value gains on investment properties, net	—	(13,785)	—	—	(13,785)
Impairment of an intangible asset	—	—	—	1,150	1,150
Impairment of an amount due from an associate	—	120	—	—	120
Provision for impairment of trade receivables	4,331	—	—	—	4,331
Write-down/(write-back) of inventories to net realisable value	(1,086)	—	—	145	(941)

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2010	Paint products HK$'000	Property investment HK$'000	Iron and steel trading HK$'000	Others HK$'000	Total HK$'000
Segment revenue:					
Sales to external customers	1,064,116	5,818	176,700	–	1,246,634
Intersegment sales	–	6,519	–	–	6,519
Other revenue	3,357	12,546	3,794	245	19,942
	1,067,473	24,883	180,494	245	1,273,095
Reconciliation:					
Elimination of intersegment sales					(6,519)
Total revenue					1,266,576
Segment results	65,376	15,370	8,034	(7,443)	81,337
Reconciliation:					
Elimination of intersegment results					7,162
Interest income					1,336
Dividend income					254
Finance costs					(6,092)
Equity-settled share option expense					(11,871)
Corporate and other unallocated expenses					(27,004)
Profit before tax					45,122

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2010	Paint products HK$'000	Property investment HK$'000	Iron and steel trading HK$'000	Others HK$'000	Total HK$'000
Segment assets	513,421	335,297	36,748	130,378	1,015,844
Reconciliation:					
Elimination of intersegment receivables					(1,022)
Corporate and other unallocated assets					286,774
Total assets					1,301,596
Segment liabilities	288,201	13,796	451	223	302,671
Reconciliation:					
Elimination of intersegment payables					(1,022)
Corporate and other unallocated liabilities					176,671
Total liabilities					478,320

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2010	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	–	1,278	4,436	(2,142)	3,572
Interests in associates	–	1,941	4,436	1,220	7,597
Depreciation	18,172	5,522	1	–	23,695
Corporate and other unallocated					115
					23,810
Amortisation of an intangible asset	–	–	–	150	150
Capital expenditure	44,075	1,319	4	3	45,401
Corporate and other unallocated					296
					45,697*
Fair value gains on investment properties, net	–	(8,692)	–	–	(8,692)
Impairment of an intangible asset	–	–	–	1,400	1,400
Impairment of available-for-sale investments	–	–	–	2,000	2,000
Impairment of an amount due from an associate	–	114	–	–	114
Reversal of impairment of trade receivables	(2,566)	–	–	–	(2,566)
Write-down of inventories to net realisable value	1,028	–	–	–	1,028
Recovery of amounts due from an associate previously written off	–	–	(3,131)	–	(3,131)

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

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	2011 HK$'000	2010 HK$'000
Hong Kong	**92,549**	99,465
Mainland China	**1,216,455**	1,146,695
Other countries	**217**	474
	1,309,221	1,246,634

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

(b) Non-current assets

	2011 HK$'000	2010 HK$'000
Hong Kong	**300,829**	307,077
Mainland China	**223,891**	212,909
Other countries	**78**	256
	524,798	520,242

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

No sales to a single customer accounted for 10% or more of the total revenue of the Group for the years ended 31 December 2010 and 2011.

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:

	Notes	2011 HK$'000	2010 HK$'000
Revenue			
Sale of paint products and related services		**1,086,271**	1,064,116
Sale of iron and steel products		**216,753**	176,700
Gross rental income from investment properties		**6,197**	5,818
		1,309,221	1,246,634
Other income			
Bank interest income		**1,860**	1,336
Dividend income from an available-for-sale investment		**—**	251
Dividend income from an equity investment at fair value through profit or loss		**—**	3
Commission income		**658**	219
Government grants received from Mainland China authorities		**4,158**	1,399
Recognition of deferred income	35	**308**	332
Others		**3,645**	3,199
		10,629	6,739

5. REVENUE, OTHER INCOME AND GAINS (continued)

	Notes	2011 HK$'000	2010 HK$'000
Gains			
Fair value gain on an equity investment at fair value through profit or loss – held for trading		126	88
Gain on disposal of non-current assets classified as held for sale	14	6,400	—
Gain on disposal of a subsidiary	39	9,853	—
Recovery of amounts due from an associate previously written off		—	3,131
Foreign exchange differences, net		—	2,882
		16,379	6,101
Total other income and gains		27,008	12,840

6. PROFIT BEFORE TAX

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

	Notes	2011 HK$'000	2010 HK$'000
Cost of inventories sold		1,016,862	927,061
Cost of services provided		336	2,183
Depreciation	15	34,847	23,810
Amortisation of an intangible asset#	19	150	150
Minimum lease payments under operating leases in respect of land and buildings		8,165	11,158
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties		513	444
Auditors' remuneration:			
Audit related services		2,480	2,273
Other services		210	208

6. PROFIT BEFORE TAX (continued)

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

	Notes	2011 HK$'000	2010 HK$'000
Employee benefit expense (excluding directors' remuneration (note 8)):			
Wages and salaries		**132,616**	144,019
Pension scheme contributions (defined contribution schemes)##		**713**	1,096
Net pension scheme gain (defined benefit scheme)	24(b)	**(360)**	(181)
Provision for employee termination benefits		**24,764**	—
		157,733	144,934
Write-down/(write-back) of inventories to net realisable value		**(941)**	1,028
Provision for/(reversal of) impairment of trade receivables	26	**4,331**	(2,566)
Impairment of an intangible asset*	19	**1,150**	1,400
Loss on disposal of items of property, plant and equipment, net		**1,496**	3,083
Write-off of items of property, plant and equipment	15	**2,047**	4,207
Impairment of an amount due from an associate#	21	**120**	114
Amortisation of prepaid land lease payments	18	**536**	511
Impairment of available-for-sale investments*	22	**—**	2,000
Foreign exchange differences, net		**2,137**	(2,882)

* These balances are included in "Other expenses, net" in the consolidated income statement.

\# These balances are included in "Administrative expenses" in the consolidated income statement.

\## At 31 December 2011, the Group had no material forfeited contributions available to reduce its contributions to the retirement benefit scheme in future years (2010: Nil).

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Group 2011 HK$'000	Group 2010 HK$'000
Interest on:		
Bank loans and other loans wholly repayable within five years	**3,920**	4,919
Bank loans not wholly repayable within five years	**792**	1,243
Finance leases	**32**	87
	4,744	6,249
Less: Interest capitalised	**(627)**	(157)
	4,117	6,092

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 2011 HK$'000	Group 2010 HK$'000
Fees:		
Executive directors	**2,100**	2,100
Non-executive directors	**900**	900
	3,000	3,000
Other emoluments:		
Salaries, allowances and benefits in kind	**14,534**	14,855
Discretionary bonuses	**1,279**	1,673
Pension scheme contributions	**806**	785
Consultancy fee	**100**	—
	16,719	17,313
	19,719	20,313

8. DIRECTORS' REMUNERATION (continued)

(a) Independent non-executive directors

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

	2011	2010
	HK$'000	HK$'000
Sir David Akers-Jones	**200**	200
Chan Wa Shek*	**—**	100
Steven Chow	**100**	100
Danny T Wong	**200**	200
	500	600

There were no other emoluments payable to the independent non-executive directors during the year (2010: 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	Other emolument HK$'000	Total remuneration HK$'000
2011						
Executive directors:						
Lam Ting Ball, Paul	300	1,884	89	12	—	2,285
Tsui Ho Chuen, Philip	760	5,456	365	350	—	6,931
Tsui Yam Tong, Terry	760	6,525	450	432	—	8,167
Chong Chi Kwan	280	669	375	12	—	1,336
	2,100	14,534	1,279	806	—	18,719
Non-executive directors:						
Chan Wa Shek*	100	—	—	—	100#	200
Hung Ting Ho, Richard	100	—	—	—	—	100
Zhang Yulin	100	—	—	—	—	100
Ko Sheung Chi	100	—	—	—	—	100
	400	—	—	—	100	500
	2,500	14,534	1,279	806	100	19,219

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
2010					
Executive directors:					
Tsui Tsin Tong (passed away on 2 April 2010)	—	2,817	644	168	3,629
Lam Ting Ball, Paul	300	1,927	89	12	2,328
Tsui Ho Chuen, Philip	760	4,432	365	270	5,827
Tsui Yam Tong, Terry	760	5,012	450	323	6,545
Chong Chi Kwan	280	667	125	12	1,084
	2,100	14,855	1,673	785	19,413
Non-executive directors:					
Hung Ting Ho, Richard	100	—	—	—	100
Zhang Yulin	100	—	—	—	100
Ko Sheung Chi	100	—	—	—	100
	300	—	—	—	300
	2,400	14,855	1,673	785	19,713

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2010: Nil).

* Mr. Chan Wa Shek was re-designated from an independent non-executive director to a non-executive director with effect from 22 September 2011.

\# For consultancy services provided to the Company related to projects development and related matters in Hong Kong and the PRC.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2010: four) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining one (2010: one) non-director and highest paid employee for the year are as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**1,449**	1,166
Discretionary bonus	**159**	76
Pension scheme contributions	**68**	73
	1,676	1,315

10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 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	
	2011	2010
	HK$'000	HK$'000
Current – Hong Kong		
Charge for the year	**42**	—
Current – Elsewhere		
Charge for the year	**18,324**	12,074
Underprovision/(overprovision) in prior years	**263**	(1,635)
Deferred (note 34)	**1,568**	194
Total tax charge for the year	**20,197**	10,633

The share of tax attributable to associates amounting to HK$221,000 (2010: HK$188,000) 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 expense applicable to profit before tax at the statutory rate for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense 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			
	2011		2010	
	HK$'000	**%**	HK$'000	%
Profit before tax	**61,711**		45,122	
Tax at the statutory tax rate	**10,182**	**16.5**	7,445	16.5
Different tax rates for specific provinces in the PRC, net	**(1,187)**	**(1.9)**	(1,084)	(2.4)
Adjustments in respect of current tax of previous periods	**263**	**0.4**	(1,635)	(3.6)
Profits attributable to associates	**(413)**	**(0.7)**	(589)	(1.3)
Depreciation adjustment	**295**	**0.5**	409	0.9
Income not subject to tax	**(5,490)**	**(8.9)**	(2,282)	(5.1)
Expenses not deductible for tax	**4,656**	**7.5**	3,905	8.7
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries	**6,652**	**10.8**	—	—
Tax losses utilised from previous periods	**(930)**	**(1.5)**	(1,364)	(3.0)
Tax losses not recognised	**6,169**	**10.0**	5,828	12.9
Tax charge at the Group's effective rate	**20,197**	**32.7**	10,633	23.6

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

Of the Group's profit attributable to owners of the parent of HK$41,836,000 (2010: HK$34,865,000), a profit of HK$16,633,000 (2010: loss of HK$30,407,000) has been dealt with in the financial statements of the Company (note 38(b)).

12. DIVIDEND

	2011	2010
	HK$'000	HK$'000
Proposed final – HK0.5 cent (2010: HK1 cent) per ordinary share	9,442	18,884

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. The actual amount will be accounted for as an appropriation of the distributable reserves in the year ending 31 December 2012.

At the annual general meeting held on 28 June 2011, the Company's shareholders approved the distribution of the final dividend for the year ended 31 December 2010 of HK1 cent per share which amounted to approximately HK$18,884,000.

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent of HK$41,836,000 (2010: HK$34,865,000), and the weighted average number of ordinary shares of 1,888,405,690 (2010: 1,753,026,835) in issue during the year.

No adjustment has been made to the basic earnings per share amount presented for the years ended 31 December 2011 and 2010 in respect of a potential dilution as the exercise prices of the outstanding share options granted by the Company were higher than the average market price of the shares of the Company during these years, and accordingly, the share options had an anti-dilutive effect on the basic earnings per share amounts presented.

There were no other diluting events existed during the years ended 31 December 2010 and 2011.

14. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

On 15 December 2010, the Group entered into a sale and purchase agreement with an independent third party to dispose of certain items of property, plant and machinery located in Taiwan with an aggregate carrying amount of HK$20,126,000 for a cash consideration of 105,000,000 New Taiwan dollars (approximately HK$28,003,000). The transaction was completed in January 2011 and a gain on disposal of approximately HK$6,400,000 was resulted after taken into account the related transaction costs.

The above assets, which were expected to be sold within twelve months from 31 December 2010, had been classified as non-current assets held for sale and were presented separately in the consolidated statement of financial position at the lower of their carrying amounts and fair values less costs to sell.

15. PROPERTY, PLANT AND EQUIPMENT

Group

	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 2011							
At 1 January 2011:							
Cost or valuation	306,011	54,407	25,675	133,313	34,682	21,519	575,607
Accumulated depreciation and impairment	(107,809)	—	(17,065)	(106,769)	(19,866)	(14,314)	(265,823)
Net carrying amount	198,202	54,407	8,610	26,544	14,816	7,205	309,784
At 1 January 2011, net of accumulated depreciation and impairment	198,202	54,407	8,610	26,544	14,816	7,205	309,784
Additions	—	31,343	520	1,118	968	500	34,449
Disposals	—	—	—	(3,209)	(16)	(301)	(3,526)
Write-off	—	—	(278)	(1,561)	(207)	(1)	(2,047)
Transfer from deposits for purchases of items of property, plant and equipment (note 23)	—	4,592	—	111	191	133	5,027
Surplus on revaluation on transfer to investment properties	4,767	—	—	—	—	—	4,767
Transfer to investment properties (note 16)	(9,089)	—	—	—	—	—	(9,089)
Depreciation provided during the year	(9,664)	—	(4,586)	(11,975)	(5,204)	(3,418)	(34,847)
Transfers	—	(52)	—	52	—	—	—
Exchange realignment	2,160	2,360	265	1,761	539	218	7,303
At 31 December 2011, net of accumulated depreciation and impairment	186,376	92,650	4,531	12,841	11,087	4,336	311,821
At 31 December 2011:							
Cost or valuation	306,280	92,650	25,706	125,167	35,804	21,469	607,076
Accumulated depreciation and impairment	(119,904)	—	(21,175)	(112,326)	(24,717)	(17,133)	(295,255)
Net carrying amount	186,376	92,650	4,531	12,841	11,087	4,336	311,821
Analysis of cost or valuation:							
At cost	96,252	92,650	25,706	125,167	35,804	21,469	397,048
At 31 December 1994 valuation	202,000	—	—	—	—	—	202,000
At 30 June 2005 valuation (transferred from investment properties)	8,028	—	—	—	—	—	8,028
	306,280	92,650	25,706	125,167	35,804	21,469	607,076

15. PROPERTY, PLANT AND EQUIPMENT (continued)

Group (continued)

	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 2010								
At 1 January 2010:								
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	17,380	205,691	24,571	13,996	29,309	14,720	11,030	316,697
At 1 January 2010, net of accumulated depreciation and impairment	17,380	205,691	24,571	13,996	29,309	14,720	11,030	316,697
Additions	–	–	28,879	2,500	3,927	3,547	803	39,656
Disposals	–	(718)	–	–	(5,115)	(201)	(2,061)	(8,095)
Write-off	–	(41)	–	(2,599)	(818)	(268)	(481)	(4,207)
Transfer to non-current assets classified as held for sale (note 14)	(18,991)	–	–	(843)	–	(292)	–	(20,126)
Transfer from deposits for purchases of items of property, plant and equipment (note 23)	–	–	–	–	1,692	251	705	2,648
Depreciation provided during the year	(114)	(8,541)	–	(5,205)	(3,504)	(3,446)	(3,000)	(23,810)
Transfers	–	–	(514)	468	46	–	–	–
Exchange realignment	1,725	1,811	1,471	293	1,007	505	209	7,021
At 31 December 2010, net of accumulated depreciation and impairment	–	198,202	54,407	8,610	26,544	14,816	7,205	309,784
At 31 December 2010:								
Cost or valuation	–	306,011	54,407	25,675	133,313	34,682	21,519	575,607
Accumulated depreciation and impairment	–	(107,809)	–	(17,065)	(106,769)	(19,866)	(14,314)	(265,823)
Net carrying amount	–	198,202	54,407	8,610	26,544	14,816	7,205	309,784
Analysis of cost or valuation:								
At cost	–	95,983	54,407	25,675	133,313	34,682	21,519	365,579
At 31 December 1994 valuation	–	202,000	–	–	–	–	–	202,000
At 30 June 2005 valuation (transferred from investment properties)	–	8,028	–	–	–	–	–	8,028
	–	306,011	54,407	25,675	133,313	34,682	21,519	575,607

15. PROPERTY, PLANT AND EQUIPMENT (continued)

Company

	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2011				
At 1 January 2011:				
Cost	1,126	2,207	490	3,823
Accumulated depreciation	(1,126)	(1,969)	(338)	(3,433)
Net carrying amount	—	238	152	390
At 1 January 2011, net of accumulated depreciation	—	238	152	390
Additions	8	59	—	67
Disposals	—	(6)	—	(6)
Depreciation provided during the year	(1)	(68)	(38)	(107)
At 31 December 2011, net of accumulated depreciation	7	223	114	344
At 31 December 2011:				
Cost	1,134	2,220	490	3,844
Accumulated depreciation	(1,127)	(1,997)	(376)	(3,500)
Net carrying amount	7	223	114	344

15. PROPERTY, PLANT AND EQUIPMENT (continued)

Company (continued)

	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2010				
At 1 January 2010:				
Cost	1,126	2,146	1,172	4,444
Accumulated depreciation	(1,126)	(1,929)	(1,172)	(4,227)
Net carrying amount	—	217	—	217
At 1 January 2010, net of accumulated depreciation	—	217	—	217
Additions	—	106	190	296
Disposals	—	(9)	—	(9)
Depreciation provided during the year	—	(76)	(38)	(114)
At 31 December 2010, net of accumulated depreciation	—	238	152	390
At 31 December 2010:				
Cost	1,126	2,207	490	3,823
Accumulated depreciation	(1,126)	(1,969)	(338)	(3,433)
Net carrying amount	—	238	152	390

15. PROPERTY, PLANT AND EQUIPMENT (continued)

The net carrying amounts of items of property, plant and equipment held under finance leases included in the total amounts of furniture, fixtures and equipment and motor vehicles at the end of the reporting period were as follows:

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Furniture, fixtures and equipment	**78**	78	**59**	52
Motor vehicles	**761**	1,882	**—**	—
	839	1,960	**59**	52

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 2011 would have been HK$122,647,000 (2010: HK$133,632,000).

15. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group's land and buildings were included in property, plant and equipment at their net carrying amounts as at 31 December 2011 and held under the following lease terms:

	Hong Kong HK$'000	Elsewhere HK$'000	Total HK$'000
Long term leases	39,687	—	39,687
Medium term leases	96,598	50,091	146,689
	136,285	50,091	186,376

At 31 December 2011, certain of the above land and buildings with an aggregate net carrying amount of HK$158,099,000 (2010: HK$169,111,000) were pledged to secure general banking facilities granted to the Group (note 32).

16. INVESTMENT PROPERTIES

	Group	
	2011 HK$'000	2010 HK$'000
Carrying amount at 1 January	138,444	128,725
Additions	633	345
Fair value gains, net	13,785	8,692
Transfer from owner-occupied property (note 15)	9,089	—
Disposal of a subsidiary (note 39)	(21,000)	—
Exchange realignment	874	682
Carrying amount at 31 December	141,825	138,444

16. INVESTMENT PROPERTIES (continued)

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

	Group	
	2011	2010
	HK$'000	HK$'000
Long term leases in Hong Kong	**89,050**	68,250
Medium term leases in:		
Hong Kong	**33,060**	51,410
Elsewhere	**19,715**	18,784
	52,775	70,194
	141,825	138,444

The Group's investment properties were revalued on 31 December 2011 by Vigers Appraisal & Consulting Limited and BMI Appraisals Limited, independent professionally qualified valuers. The properties were revalued at open market value, based on their existing use; 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 43(a).

At 31 December 2011, certain of the Group's investment properties with an aggregate carrying value of HK$122,110,000 (2010: HK$117,444,000) were pledged to secure general banking facilities granted to the Group (note 32).

Further particulars of the Group's investment properties are included on page 163.

17. PROPERTIES UNDER DEVELOPMENT

	Group	
	2011	2010
	HK$'000	HK$'000
Carrying amount at 1 January and at 31 December	28,000	28,000

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 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. As at 31 December 2011 and up to the date of these financial statements, two new planning applications for the change of the use of land from agricultural and house lots to comprehensive residential development and to columbarium development are under the consideration by the Town Planning Board of Hong Kong.

Further particulars of the Group's properties under development are included on page 164.

18. PREPAID LAND LEASE PAYMENTS

		Group	
	Note	**2011**	2010
		HK$'000	HK$'000
Carrying amount at 1 January		**22,541**	22,248
Recognised during the year	6	**(536)**	(511)
Exchange realignment		**1,029**	804
Carrying amount at 31 December		**23,034**	22,541

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

19. INTANGIBLE ASSET

Group

	Technical know-how HK$'000
31 December 2011	
Cost at 1 January 2011, net of accumulated amortisation	**1,300**
Amortisation provided during the year (note 6)	**(150)**
Impairment provided during the year (note 6)	**(1,150)**
At 31 December 2011	**—**
At 31 December 2011:	
Cost	**3,000**
Accumulated amortisation	**(450)**
Accumulated impairment	**(2,550)**
Net carrying amount	**—**
31 December 2010	
Cost at 1 January 2010, net of accumulated amortisation	2,850
Amortisation provided during the year (note 6)	(150)
Impairment provided during the year (note 6)	(1,400)
At 31 December 2010	1,300
At 31 December 2010:	
Cost	3,000
Accumulated amortisation	(300)
Accumulated impairment	(1,400)
Net carrying amount	1,300

The impairment recognised during the year and in the prior year mainly reflected the decrease in recoverable amount of the technical know-how as a result of management's reassessment of the estimated market demand and business prospect of the materials for exterior wall insulation panels.

20. INTERESTS IN SUBSIDIARIES

	Company	
	2011	2010
	HK$'000	HK$'000
Unlisted shares/investments, at cost	**218,366**	224,095
Loans to subsidiaries	**1,711,159**	1,732,632
Due to subsidiaries	**(617)**	(2,446)
	1,928,908	1,954,281
Impairment	**(1,410,236)**	(1,435,304)
	518,672	518,977

An impairment was recognised for certain unlisted investments in and loans to subsidiaries with a total carrying amount of HK$1,793,836,000 (before deducting the impairment loss) (2010: HK$1,832,027,000) 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$508,236,000 (2010: HK$528,297,000), which bear interest at the HK$ 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.

20. INTERESTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries as at 31 December 2011 are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
The China Paint Manufacturing Company (1932) Limited	Hong Kong	Ordinary HK$200,000 Non-voting deferred HK$1,761,300	—	100	Manufacture and sale of paint products and investment holding
The China Paint Manufacturing (Shenzhen) Co., Ltd. # *	the PRC/ Mainland China	HK$70,000,000	—	100	Manufacture and sale of paint products
The China Paint Mfg. Co., (Xinfeng) Ltd. # *	the PRC/ Mainland China	US$8,000,000	—	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 ("BVI")	US$1	—	100	Investment holding
CNT Dalian Company Limited	Hong Kong	HK$2	—	100	Investment holding

20. INTERESTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries as at 31 December 2011 are as follows: (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
CNT Finance Company Limited	Hong Kong	HK$2	100	—	Fund management
CNT Industries (BVI) Limited	BVI	US$1,635,512	100	—	Investment holding
CNT Investments (BVI) Limited	BVI	US$159,705	100	—	Investment holding
CNT Iron And Steel Limited	BVI	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	BVI	US$1	100	—	Investment holding
Fan Ball Development Limited	Hong Kong	HK$10,000	—	100	Property investment

20. INTERESTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries as at 31 December 2011 are as follows: (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Full Pool Limited	Hong Kong	HK$2	—	100	Investment holding
Giraffe Paint Mfg. Co., (Shanghai) Ltd. # *	the PRC/ Mainland China	US$4,000,000	—	100	Not yet commenced operations
Giraffe Paint Mfg. Co., (Xuzhou) Ltd. # *	the PRC/ Mainland China	US$2,000,000	—	100	Manufacture and sale of solvents and paint products and related services
Guangzhou City Wilfred Marble Company Limited # *	the PRC/ Mainland China	HK$50,975,000	—	100	Property investment
Hubei Giraffe Paint Mfg. Co., Ltd. ## *	the PRC/ Mainland China	RMB40,000,000	—	90.5	Manufacture and sale of paint products
Joyous Cheer Limited	Hong Kong	HK$1	—	100	Property development
Majority Faith Corporation	BVI	US$1	—	100	Investment holding
Maxplus Investments Limited	BVI	US$1	—	100	Investment holding
Ocean Wide Assets Limited	BVI	US$1	—	100	Investment holding
Opulent Profits Limited	BVI	US$1	—	100	Investment holding

20. INTERESTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries as at 31 December 2011 are as follows: (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Profit Source Limited	Hong Kong	HK$2	—	100	Securities investment and investment holding
Rainbow Path Enterprises Limited	Hong Kong	HK$1,000	—	100	Investment holding
R, J & Thomas Secretaries Limited	Hong Kong	HK$30,000	—	100	Investment holding
Tatpo Corporation Limited	Liberia	US$20,872	100	—	Investment holding
Venture Decade Limited	BVI	US$1	—	100	Investment holding
Winrank Limited	Hong Kong	HK$10,000	—	75	Not yet commenced operations

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

\# Wholly-foreign-owned enterprises registered under PRC law.

\## Sino-foreign equity joint venture registered under 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.

21. INTERESTS IN ASSOCIATES

	Group	
	2011	2010
	HK$'000	HK$'000
Share of net assets	**14,247**	11,504
Loans to an associate	**1,819**	1,699
Due to an associate	**(4)**	(398)
	16,062	12,805
Impairment	**(5,328)**	(5,208)
	10,734	7,597

At 31 December 2011, the loans to an associate totalling HK$1,819,000 (2010: HK$1,699,000) 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 associate.

The amount due to an associate 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 2011 of HK$2,200,000 (2010: HK$1,900,000) is unsecured, interest-free and repayable with not less than 30 days' prior written notice.

Included in the above provision for impairment is a provision for individually impaired loans to an associate of HK$1,819,000 (2010: HK$1,699,000) with a carrying amount before provision of HK$1,819,000 (2010: HK$1,699,000). An impairment of HK$120,000 (2010: HK$114,000) was recognised during the year because the Company's directors considered that the loans advanced have been outstanding for certain periods and are not expected to be recoverable.

21. INTERESTS IN ASSOCIATES (continued)

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 2011	2010	Principal activities
Arran Investment Company, Limited #	Ordinary shares of HK$100 each	Hong Kong	**50**	50	Property investment
CNT Tin Plate Limited #	Ordinary shares of HK$1 each	Hong Kong	**50**	50	Investment holding
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 Realestate Development Company Limited #	US$1,240,000	the PRC	**50**	50	Property investment

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Arran Investment Company, Limited, CNT Tin Plate Limited, Gobi EcoTech Limited and Liaoyang Beiyang Realestate Development Company Limited are corporate associates indirectly held by the Company as at 31 December 2011. The financial years of CNT Tin Plate Limited, Gobi EcoTech Limited and Liaoyang Beiyang Realestate Development Company Limited are coterminous with that of the Group, while Arran Investment Company, Limited uses a financial year end date 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.

21. INTERESTS IN ASSOCIATES (continued)

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

	2011 HK$'000	2010 HK$'000
Assets	92,123	87,737
Liabilities	65,785	65,593
Revenue for the year	3,187	2,986
Profit for the year	5,357	3,681
Reserves movements during the year	994	507
Dividend declared and distributed during the year	2,157	2,082

22. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2011 HK$'000	2010 HK$'000
Unlisted equity investments, at cost	234,866	236,946
Impairment	(109,083)	(110,783)
	125,783	126,163

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$109,083,000 (2010: HK$110,783,000) with a carrying amount before provision of HK$229,866,000 (2010: HK$231,946,000). 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 2011, the Group disposed of an unlisted equity investment with a carrying amount of HK$400,000 (net of impairment provision of HK$1,700,000) to an independent third party at a consideration of HK$400,000. No gain or loss was resulted from this disposal.

During the year ended 31 December 2010, an impairment loss of HK$2,000,000 was recognised for the Group's available-for-sale investments.

22. AVAILABLE-FOR-SALE INVESTMENTS (continued)

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.

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 2011 are as follows:

Name	Particulars of registered share capital	Place of incorporation	Percentage of equity attributable to the Group 2011	2010	Principal activities
Profitable Industries Limited #	US$10,000	BVI	**12.5**	12.5	Indirect investment holding of a 93.7% equity interest in a cemetery development and sales business in the PRC

\# Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

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

		Group	
	Note	**2011**	2010
		HK$'000	HK$'000
Carrying amount at 1 January		**12,576**	9,231
Transfer to property, plant and equipment	15	**(5,027)**	(2,648)
Additions		**1,320**	5,696
Exchange realignment		**515**	297
Carrying amount at 31 December		**9,384**	12,576

As at 31 December 2011, the carrying amount represented 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, and for the construction of a factory in Mainland China.

24. NET PENSION SCHEME ASSETS

(a) A reconciliation of the fair value of the plan assets and the present value of the defined benefit obligations to the net value of assets and liabilities recognised in the consolidated statement of financial position is as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
Fair value of scheme assets	**7,937**	9,059
Present value of the defined benefit obligations	**(6,942)**	(5,727)
Surplus in the pension scheme	**995**	3,332
Net unrecognised actuarial losses/(gains)	**1,536**	(1,161)
Net pension scheme assets recognised	**2,531**	2,171

24. NET PENSION SCHEME ASSETS (continued)

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

	Group	
	2011	2010
	HK$'000	HK$'000
Current service cost	**210**	275
Interest cost on defined benefit obligations	**170**	165
Expected return on pension scheme assets	**(720)**	(621)
Net cumulative actuarial gain recognised in the consolidated income statement	**(20)**	—
	(360)	(181)
Actual return/(loss) on scheme assets	**(981)**	656

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

(c) The movements in the present value of the Group's defined benefit obligations are as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
At 1 January	**5,727**	6,787
Interest cost	**170**	165
Current service cost	**210**	275
Benefits paid	**(141)**	(936)
Actuarial loss/(gain)	**976**	(564)
At 31 December	**6,942**	5,727

24. NET PENSION SCHEME ASSETS (continued)

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

	Group	
	2011	2010
	HK$'000	HK$'000
At 1 January	**9,059**	9,339
Expected return on scheme assets	**720**	621
Benefits paid	**(141)**	(936)
Actuarial gain/(loss) on scheme assets	**(1,701)**	35
At 31 December	**7,937**	9,059

(e) The Group does not expect to pay any contributions to the Group's defined benefit pension scheme during the year ending 31 December 2012.

(f) The major categories of plan assets as a percentage of the fair value of the total plan assets are as follows:

	Group	
	2011	2010
Equities	**76%**	83%
Bonds	**20%**	15%
Cash	**4%**	2%
Total	**100%**	100%

24. NET PENSION SCHEME ASSETS (continued)

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

	Group	
	2011	2010
Discount rate	**1.5%**	3.0%
Expected rate of return on the scheme assets	**5.8%**	8.0%
Future salary increases	**3.0%**	3.0%

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) A five year summary of the present value of the defined benefit obligations, the fair value of the plan assets, the surplus/(deficit) in the plan and the experience adjustment arising on plan liabilities is as follows:

	Group				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Fair value of scheme assets	**7,937**	9,059	9,339	7,470	11,358
Present value of the defined benefit obligations	**6,942**	5,727	6,787	9,324	5,973
Surplus/(deficit) in pension scheme	**995**	3,332	2,552	(1,854)	5,385
Experienced gain/(loss) arising on scheme assets	**(1,701)**	35	1,735	(4,525)	992
Experienced loss/(gain) arising on scheme liabilities	**(61)**	(297)	112	(226)	106

24. 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 2011 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 2011, the level of funding of the pension scheme was 114%, as calculated under the projected unit credit actuarial valuation method.

25. INVENTORIES

	Group	
	2011	2010
	HK$'000	HK$'000
Raw materials and spare parts	**51,924**	42,892
Work in progress	**8,839**	8,825
Finished goods	**20,397**	28,215
	81,160	79,932

26. TRADE AND BILLS RECEIVABLES

	Group 2011 HK$'000	Group 2010 HK$'000
Trade and bills receivables	**303,545**	262,047
Impairment	**(11,258)**	(6,818)
	292,287	255,229

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. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade and bills receivables are non-interest-bearing.

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

	Group 2011 HK$'000	Group 2010 HK$'000
Neither past due nor impaired	**246,520**	221,617
Within three months	**40,523**	27,662
Over three months and within six months	**4,547**	3,133
Over six months	**697**	2,817
	292,287	255,229

26. TRADE AND BILLS RECEIVABLES (continued)

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

		Group	
	Note	**2011**	2010
		HK$'000	HK$'000
At 1 January		**6,818**	9,051
Impairment losses recognised/(reversed)	6	**4,331**	(2,566)
Write-off		**(206)**	—
Exchange realignment		**315**	333
At 31 December		**11,258**	6,818

Included in the above provision for impairment of trade and bills receivables is a provision for individually impaired trade receivables of HK$11,258,000 (2010: HK$6,818,000) with a carrying amount before provision of HK$11,258,000 (2010: HK$6,818,000).

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.

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.

At 31 December 2011, certain of the trade receivables with an aggregate carrying value of HK$212,114,000 (2010: HK$197,637,000) were secured by a floating charge for general banking facilities granted to the Group (note 32).

27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Prepayments	**2,232**	3,131	**36**	195
Services contract costs incurred plus recognised profits	**1,167**	824	**—**	—
Deposits and other receivables	**19,786**	8,951	**312**	352
Deferred expenses	**475**	996	**—**	—
	23,660	13,902	**348**	547

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.

28. EQUITY INVESTMENT AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2011	2010
	HK$'000	HK$'000
Equity investment listed in Hong Kong, at fair value	**300**	174

The above equity investment at 31 December 2010 and 2011 was classified as held for trading.

29. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

		Group		Company	
	Note	**2011**	2010	**2011**	2010
		HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances		**172,781**	170,384	**14,586**	11,187
Time deposits:					
– with original maturity of less than three months when acquired		**134,656**	78,462	**—**	—
– with original maturity of more than three months when acquired		**12,039**	34,811	**—**	—
		319,476	283,657	**14,586**	11,187
Less: Pledged time deposits for bills payable with original maturity of less than three months when acquired	30	**—**	(1,956)	**—**	—
Cash and cash equivalents		**319,476**	281,701	**14,586**	11,187

At the end of the reporting period, the cash and bank balances and time deposits of the Group denominated in Renminbi ("RMB") amounted to HK$246,155,000 (2010: HK$178,911,000). The RMB 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 RMB 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 one month 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 time deposits approximate to their fair values.

30. 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	
	2011	2010
	HK$'000	HK$'000
Within three months	**164,936**	169,769
Over three months and within six months	**2,872**	2,123
Over six months	**14**	4
	167,822	171,896

As at 31 December 2011, the trade payables are unsecured, non-interest-bearing and are normally settled on 60-day terms (2010: 60-day). As at 31 December 2010, bills payable with an aggregate carrying amount of HK$9,756,000 were secured by time deposits of HK$1,956,000.

31. OTHER PAYABLES, ACCRUALS, AND PROVISION

		Group		Company	
	Note	**2011**	2010	**2011**	2010
		HK$'000	HK$'000	**HK$'000**	HK$'000
Deferred income	35	**328**	314	**—**	—
Other payables		**47,585**	37,883	**229**	321
Provision		**24,764**	—	**—**	—
Accruals and receipts in advance		**79,795**	90,080	**3,062**	4,357
		152,472	128,277	**3,291**	4,678
Less: Provision classified as non-current liabilities		**(24,764)**	—	**—**	—
		127,708	128,277	**3,291**	4,678

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

Provision classified as non-current liabilities relates to the Group's provision for employee termination benefits which would be payable to certain employees of the Group when the relocation of a paint factory in the Mainland China takes place in the next few years. The amount of the provision is estimated based on the applicable labour law of the PRC and the detailed relocation plan of the Group. The estimation is reviewed on an ongoing basis and revised where appropriate.

32. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2011			2010		
	Effective interest rate per annum (%)	**Maturity**	**HK$'000**	Effective interest rate per annum (%)	Maturity	HK$'000
Group						
Current						
Finance lease payables (note 33)	**5.7 - 6.9**	**2012**	**234**	5.3 - 7.9	2011	684
Bank loans – secured	**1.3 - 9.0**	**2012**	**53,315**	1.2 - 6.1	2011	79,613
Bank loans – unsecured	**6.7**	**2012**	**12,322**	5.8	2011	11,777
Import loans – secured	**1.3 - 2.6**	**2012**	**34,315**	N/A	N/A	—
Import loans – unsecured	**N/A**	**N/A**	**—**	2.1	2011	14,051
			100,186			106,125
Non-current						
Finance lease payables (note 33)	**6.2 - 6.9**	**2013 - 2016**	**44**	5.7 - 6.9	2012 - 2014	255
Bank loans – secured	**1.3 - 1.8**	**2013 - 2020**	**38,946**	1.2 - 2.7	2012 - 2020	44,490
			38,990			44,745
			139,176			150,870

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

	2011			2010		
	Effective interest rate per annum (%)	**Maturity**	**HK$'000**	Effective interest rate per annum (%)	Maturity	HK$'000
Company						
Current						
Finance lease payables (note 33)	**6.2**	**2012**	**15**	6.1 - 7.9	2011	15
Non-current						
Finance lease payables (note 33)	**6.2**	**2013 - 2016**	**40**	6.1	2012 - 2014	31
			55			46

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

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Analysed into:				
Bank loans and import loans repayable:				
Within one year or on demand	**99,952**	105,441	**—**	—
In the second year	**5,573**	5,422	**—**	—
In the third to fifth years, inclusive	**17,260**	16,947	**—**	—
Beyond five years	**16,113**	22,121	**—**	—
	138,898	149,931	**—**	—
Other borrowings repayable:				
Within one year or on demand	**234**	684	**15**	15
In the second year	**20**	229	**16**	10
In the third to fifth years, inclusive	**24**	26	**24**	21
	278	939	**55**	46
	139,176	150,870	**55**	46

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$158,099,000 (2010: HK$169,111,000) (note 15);

(ii) the Group's investment properties with an aggregate carrying value at the end of the reporting period of HK$122,110,000 (2010: HK$117,444,000) (note 16); and

(iii) the Group's trade receivables with an aggregate carrying value at the end of the reporting period of HK$212,114,000 (2010: HK$197,637,000) (note 26).

(b) Included in the Group's interest-bearing bank and other borrowings as at 31 December 2011 are borrowings with a carrying amount of HK$24,155,000 (2010: HK$52,075,000) which are denominated in RMB. All other borrowings of the Group are denominated in HK$.

33. FINANCE LEASE PAYABLES

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

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	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Group				
Amounts payable:				
Within one year	**239**	716	**234**	684
In the second year	**21**	234	**20**	229
In the third to fifth years, inclusive	**25**	28	**24**	26
Total minimum finance lease payments	**285**	978	**278**	939
Future finance charges	**(7)**	(39)		
Total net finance lease payables	**278**	939		
Portion classified as current liabilities (note 32)	**(234)**	(684)		
Non-current portion (note 32)	**44**	255		

33. FINANCE LEASE PAYABLES (continued)

The total future minimum lease payments under finance leases and their present values were as follows: (continued)

	Minimum lease payments		Present value of minimum lease payments	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Company				
Amounts payable:				
Within one year	**17**	17	**15**	15
In the second year	**17**	11	**16**	10
In the third to fifth years, inclusive	**24**	23	**24**	21
Total minimum finance lease payments	**58**	51	**55**	46
Future finance charges	**(3)**	(5)		
Total net finance lease payables	**55**	46		
Portion classified as current liabilities (note 32)	**(15)**	(15)		
Non-current portion (note 32)	**40**	31		

34. DEFERRED TAX

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

Deferred tax liabilities, net

Group

	Depreciation in excess of related depreciation allowance		Revaluation of properties		Withholding taxes		Total	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At 1 January	**(654)**	(663)	**11,184**	10,999	**4,548**	4,548	**15,078**	14,884
Deferred tax charged to the income statement during the year (note 10)	**9**	9	**467**	185	**6,652**	–	**7,128**	194
Gross deferred tax liabilities/(assets) recognised in the consolidated statement of financial position at 31 December	**(645)**	(654)	**11,651**	11,184	**11,200**	4,548	**22,206**	15,078

34. DEFERRED TAX (continued)

The movements in net deferred tax liabilities and assets during the year are as follows: (continued)

Deferred tax assets

Group

	Depreciation in excess of related depreciation allowance		Provision		Total	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At 1 January	**—**	—	**—**	—	**—**	—
Deferred tax credited to the income statement during the year (note 10)	**1,845**	—	**3,715**	—	**5,560**	—
Gross deferred tax assets recognised in the consolidated statement of financial position at 31 December	**1,845**	—	**3,715**	—	**5,560**	—

The Group has estimated tax losses arising in Hong Kong of HK$968,472,000 (2010: HK$936,719,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group has no estimated tax losses arising in Mainland China (2010: HK$8,018,000 that will expire in one to five years) for offsetting against future taxable profits. Deferred tax assets had not been recognised in respect of these losses as at 31 December 2010 as they had arisen in subsidiaries that had been loss-making for some time and it was uncertain that taxable profits would 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 for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

34. DEFERRED TAX (continued)

At 31 December 2011, no deferred tax has been recognised for withholding taxes that would be payable on certain unremitted earnings of certain Group's subsidiaries established in Mainland China that may subject to withholding taxes. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK$13,370,000 at 31 December 2011 (2010: HK$77,413,000).

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

35. DEFERRED INCOME

		Group	
	Notes	**2011**	2010
		HK$'000	HK$'000
At 1 January		**4,600**	4,765
Recognised during the year	5	**(308)**	(332)
Exchange realignment		**204**	167
At 31 December		**4,496**	4,600
Portion classified as current liabilities	31	**(328)**	(314)
Non-current portion		**4,168**	4,286

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 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 waived the same amount of the Construction Loan due to it, which was recorded as deferred income by the Group and is recognised in the consolidated 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.

36. SHARE CAPITAL

Shares

	2011 HK$'000	2010 HK$'000
Authorised:		
2,880,000,000 ordinary shares of HK$0.10 each	**288,000**	288,000
Issued and fully paid:		
1,888,405,690 (2010: 1,888,405,690) ordinary shares of HK$0.10 each	**188,841**	188,841

There was no movement of the Company's share capital during the year ended 31 December 2011.

During the year ended 31 December 2010, 314,734,281 new ordinary shares were issued for cash at a subscription price of HK$0.33725 per share for a total consideration, before expenses, of HK$106,145,000. The related transaction costs were amounted to HK$161,000.

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 37 to the financial statements.

37. SHARE OPTION SCHEME

On 27 May 2010, 152,800,000 share options to subscribe for a total of 152,800,000 new shares of the Company of HK$0.10 each were granted under the share option scheme approved by the shareholders of the Company on 28 June 2002 (the "2002 Scheme"). The 2002 Scheme was adopted by the Company 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. Unless terminated by resolution in general meeting or by the board of directors, the 2002 Scheme shall be valid and effective for a period of 10 years commencing on 28 June 2002, after which period no further options will be issued but, in all other respects, the provisions of the 2002 Scheme shall remain in full force and effect.

The equity-settled share options granted on 27 May 2010 vest over a period of four years from the grant date, of which 50% of the share options vested immediately on the grant date, 10% of the share options vesting on 27 May 2011, 10% of the share options vesting on 27 May 2012, 10% of the share options vesting on 27 May 2013 and 20% of the share options vesting on 27 May 2014. These share options are exercisable at HK$0.44 per share and must be exercised within five years from the grant date, and if not so exercised, the share options shall lapse. These share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

None of the share options granted on 27 May 2010 under the 2002 Scheme were exercised, cancelled or lapsed.

The fair value of equity-settled share options granted during the year ended 31 December 2010 was estimated as at the date of grant, using the Binomial Option Pricing Model (the "Model"), taking into account the terms and conditions upon which the options were granted. The Model is one of the commonly used models to estimate the fair value of an option. The value of an option varies with different variables of certain subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of an option. The following table lists the inputs to the model used:

Dividend yield (%)	0.00
Expected volatility (%)	88.27
Risk-free interest rate (%)	1.57
Contractual life of options (year)	5
Early exercise behaviour (%)	127
Exercise price (HK$ per share)	0.44

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

37. SHARE OPTION SCHEME (continued)

The fair value of the share options granted on 27 May 2010 was HK$26,302,000, of which the Group recognised a share option expense of HK$6,478,000 during the year ended 31 December 2011 (2010: HK$11,871,000).

At the end of the reporting period, the Company had 152,800,000 share options outstanding under the 2002 Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 152,800,000 additional ordinary shares of the Company and additional share capital of HK$15,280,000 and share premium of HK$51,952,000 (before issue expenses).

38. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the years ended 31 December 2011 and 2010 are presented in the consolidated statement of changes in equity on pages 40 and 41 of the financial statements.

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 Statement of Standard Accounting Practice 30 in 2001, was HK$46,050,000 as at 31 December 2011 and 2010. The amount of goodwill was stated at its cost, less cumulative impairment which arose in years prior to 1 January 2005.

38. RESERVES (continued)

(b) Company

	Share premium account HK$'000	Share option reserve# HK$'000	Contributed surplus* HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2010	6,635	–	417,982	(143,055)	281,562
Total comprehensive loss for the year (note 11)	–	–	–	(30,407)	(30,407)
Issue of shares (note 36)	74,671	–	–	–	74,671
Share issue expenses (note 36)	(161)	–	–	–	(161)
Equity-settled share option arrangement (note 37)	–	11,871	–	–	11,871
At 31 December 2010 and 1 January 2011	81,145	11,871	417,982	(173,462)	337,536
Total comprehensive income for the year (note 11)	–	–	–	16,633	16,633
Equity-settled share option arrangement (note 37)	–	6,478	–	–	6,478
Final 2010 dividend declared and paid	–	–	(18,884)	–	(18,884)
At 31 December 2011	**81,145**	**18,349**	**399,098**	**(156,829)**	**341,763**

* 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.

\# The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payment transactions in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits/(accumulated losses) should the related options expire or be forfeited.

39. DISPOSAL OF A SUBSIDIARY

During the year, the Group disposed of its entire equity interest in a subsidiary, which is principally engaged in property investment, to an independent third party at a total consideration of HK$32,800,000, before transaction costs of HK$1,972,000.

	Notes	**2011**
		HK$'000
Net assets disposed of:		
Investment property	16	**21,000**
Accruals		**(25)**
		20,975
Gain on disposal of a subsidiary	5	**9,853**
		30,828
Satisfied by cash, net		**30,828**

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2011
	HK$'000
Cash consideration received and net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	**30,828**

40. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Major non-cash transactions

(a) During the year ended 31 December 2011, the Group entered into a finance lease arrangement in respect of property, plant and equipment with a total capital value at the inception of the lease of HK$25,000 (2010: HK$49,000).

(b) During the year ended 31 December 2011, the Group completed the acquisition of certain items of property, plant and equipment, the consideration of which was partially settled by deposits previously paid with an aggregate carrying amount of HK$5,027,000 (2010: HK$2,648,000).

41. CONTINGENT LIABILITIES

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

	Company	
	2011	2010
	HK$'000	HK$'000
Guarantees given to banks in connection with facilities granted to subsidiaries	**245,092**	241,822

As at 31 December 2011, the banking facilities granted to subsidiaries subject to guarantees given to banks by the Company were utilised to the extent of approximately HK$68,801,000 (2010: HK$63,856,000).

At the end of the reporting period, the Group had no significant contingent liabilities.

42. PLEDGE OF ASSETS

Details of the Group's bills payable and bank loans and other borrowings, which are secured by certain assets of the Group, are included in notes 30 and 32.

43. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 16) 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 2011, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
Within one year	**3,939**	4,127
In the second to fifth years, inclusive	**934**	2,470
	4,873	6,597

(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 nine years.

At 31 December 2011, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**4,411**	6,655	**52**	49
In the second to fifth years, inclusive	**4,082**	7,719	**—**	—
	8,493	14,374	**52**	49

44. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 43(b) above, the Group had the following capital commitments at the end of the reporting period:

		Group	
	Notes	**2011**	2010
		HK$'000	HK$'000
Contracted, but not provided for:			
Purchases of land use rights	(b)	**1,925**	1,839
Capital contribution to subsidiaries	(a), (c)	**15,533**	20,256
Construction and purchases of items of property, plant and equipment		**46,636**	25,502
		64,094	47,597
Authorised, but not contracted for:			
Capital contribution to a subsidiary	(d)	**15,533**	—
		79,627	47,597

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 as at 31 December 2011.

(b) On 21 January 2008, the Group entered into an agreement with the government of Xinfeng, Guangdong Province, the PRC to purchase a piece of land located in Xinfeng, at a consideration of RMB8,220,000, of which RMB6,658,000 had been paid by the Group at 31 December 2011 (2010: RMB6,658,000).

(c) According to the articles of association of a newly set up wholly-owned subsidiary of the Group in the PRC, the Group is required to pay up a capital contribution of RMB5,000,000 by 31 December 2011. As at 31 December 2010, the Group had paid a contribution of RMB1,000,000. The remaining capital of RMB4,000,000 was fully paid up by the Group on 7 January 2011.

(d) On 8 August 2011, the Group approved the increase of the registered share capital of a wholly-owned subsidiary in the PRC in the amount of US$5,000,000. The Group had paid contribution of US$3,000,000 at 31 December 2011.

At the end of the reporting period, the Company had no significant capital commitments.

45. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

(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 21.

(b) Compensation of key management personnel of the Group

	2011	2010
	HK$'000	HK$'000
Short term employee benefits	**17,913**	18,628
Post-employment benefits	**806**	785
Consultancy fee	**100**	—
Total compensation paid/payable to key management personnel	**18,819**	19,413

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

46. 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

2011

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	—	—	125,783	125,783
Trade and bills receivables	—	292,287	—	292,287
Financial assets included in prepayments, deposits and other receivables	—	19,786	—	19,786
Equity investment at fair value through profit or loss	300	—	—	300
Cash and cash equivalents	—	319,476	—	319,476
	300	631,549	125,783	757,632

46. 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)

2011

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Due to associates (note 21)	2,204
Trade and bills payables	167,822
Financial liabilities included in other payables and accruals	47,585
Interest-bearing bank and other borrowings	139,176
	356,787

46. 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)

2010

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	—	—	126,163	126,163
Trade and bills receivables	—	255,229	—	255,229
Financial assets included in prepayments, deposits and other receivables	—	8,951	—	8,951
Equity investment at fair value through profit or loss	174	—	—	174
Pledged deposits	—	1,956	—	1,956
Cash and cash equivalents	—	281,701	—	281,701
	174	547,837	126,163	674,174

46. 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)

2010

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Due to associates (note 21)	2,298
Trade and bills payables	171,896
Financial liabilities included in other payables and accruals	37,883
Interest-bearing bank and other borrowings	150,870
	362,947

46. 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

Financial assets

	Loans and receivables	
	2011	2010
	HK$'000	HK$'000
Due from subsidiaries, net of impairment	**171,884**	183,979
Financial assets included in prepayments, deposits and other receivables	**312**	352
Cash and cash equivalents	**14,586**	11,187
	186,782	195,518

Financial liabilities

	Financial liabilities at amortised cost	
	2011	2010
	HK$'000	HK$'000
Due to subsidiaries (note 20)	**617**	2,446
Financial liabilities included in other payables and accruals	**229**	321
Interest-bearing other borrowings	**55**	46
	901	2,813

47. FAIR VALUE AND FAIR VALUE HIERARCHY

The carrying amounts and fair values of the Group's and the Company's financial instruments, except for available-for-sale investments (further details of which are set out in note 22 of the financial statements), are as follows:

Group

	Carrying amounts		Fair values	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Trade and bills receivables	**292,287**	255,229	**292,287**	255,229
Financial assets included in prepayments, deposits and other receivables	**19,786**	8,951	**19,786**	8,951
Equity investment at fair value through profit or loss	**300**	174	**300**	174
Pledged deposits	**—**	1,956	**—**	1,956
Cash and cash equivalents	**319,476**	281,701	**319,476**	281,701
	631,849	548,011	**631,849**	548,011
Financial liabilities				
Due to associates	**2,204**	2,298	**2,204**	2,298
Trade and bills payables	**167,822**	171,896	**167,822**	171,896
Financial liabilities included in other payables and accruals	**47,585**	37,883	**47,585**	37,883
Interest-bearing bank and other borrowings	**139,176**	150,870	**138,902**	150,451
	356,787	362,947	**356,513**	362,528

47. FAIR VALUE AND FAIR VALUE HIERARCHY (continued)

The carrying amounts and fair values of the Group's and the Company's financial instruments, except for available-for-sale investments (further details of which are set out in note 22 of the financial statements), are as follows: (continued)

Company

	Carrying amounts		Fair values	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Due from subsidiaries, net of impairment	**171,884**	183,979	**171,884**	183,979
Financial assets included in prepayments, deposits and other receivables	**312**	352	**312**	352
Cash and cash equivalents	**14,586**	11,187	**14,586**	11,187
	186,782	195,518	**186,782**	195,518
Financial liabilities				
Due to subsidiaries	**617**	2,446	**617**	2,446
Financial liabilities included in other payables and accruals	**229**	321	**229**	321
Interest-bearing other borrowings	**55**	46	**53**	46
	901	2,813	**899**	2,813

47. FAIR VALUE AND FAIR VALUE HIERARCHY (continued)

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of cash and cash equivalents, pledged deposits, trade and bills receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, amounts due to associates and amounts due from/to subsidiaries approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the non-current portion of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments on similar terms, credit risk and remaining maturities.

The fair value of the listed equity investment is based on quoted market price.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values 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 any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

47. FAIR VALUE AND FAIR VALUE HIERARCHY (continued)

Fair value hierarchy (continued)

Asset measured at fair value:

Group

	Level 1	Level 2	Level 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2011				
Equity investment at fair value through profit or loss – listed	**300**	**—**	**—**	**300**
At 31 December 2010				
Equity investment at fair value through profit or loss – listed	174	—	—	174

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2010: Nil).

The Company did not have any financial assets or financial liabilities measured at fair value as at 31 December 2011 and 2010.

48. 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 risk 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.

48. 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.

	Group	
	Increase/ (decrease) in basis points	**Increase/ (decrease) in profit before tax HK$'000**
2011		
HK$	**50**	**(475)**
RMB	**50**	**560**
HK$	**(50)**	**475**
RMB	**(50)**	**(560)**
2010		
HK$	50	(418)
RMB	50	398
HK$	(50)	418
RMB	(50)	(398)

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk

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

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

	Increase/ (decrease) in RMB rate	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity*
	%	HK$'000	HK$'000
2011			
If HK$ weakens against RMB	**5**	**(1,446)**	**24,108**
If HK$ strengthens against RMB	**(5)**	**1,446**	**(24,108)**
2010			
If HK$ weakens against RMB	5	(164)	18,711
If HK$ strengthens against RMB	(5)	164	(18,711)

* Excluding retained profits

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

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

The credit risk of the Group's other financial assets, which comprise pledged deposits, cash and cash equivalents, available-for-sale financial assets, and 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 41.

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 the short and longer terms.

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

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
2011					
Due to associates	4	2,200	—	—	2,204
Trade and bills payables	—	167,822	—	—	167,822
Other payables	4,036	43,549	—	—	47,585
Interest-bearing bank borrowings	—	100,615	24,578	16,464	141,657
Finance lease payables	—	239	46	—	285
	4,040	314,425	24,624	16,464	359,553
2010					
Due to associates	398	1,900	—	—	2,298
Trade and bills payables	—	171,896	—	—	171,896
Other payables	4,039	33,844	—	—	37,883
Interest-bearing bank borrowings	—	106,383	25,028	22,912	154,323
Finance lease payables	—	716	262	—	978
	4,437	314,739	25,290	22,912	367,378

48. 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
2011				
Due to subsidiaries	**617**	**—**	**—**	**617**
Finance lease payables	**—**	**17**	**41**	**58**
Other payables	**—**	**229**	**—**	**229**
Guarantees given to banks in connection with facilities granted to subsidiaries (note 41)	**68,801**	**—**	**—**	**68,801**
	69,418	**246**	**41**	**69,705**
2010				
Due to subsidiaries	2,446	—	—	2,446
Finance lease payables	—	17	34	51
Other payables	—	321	—	321
Guarantees given to banks in connection with facilities granted to subsidiaries (note 41)	63,856	—	—	63,856
	66,302	338	34	66,674

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2011 and 31 December 2010.

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 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

	2011	2010
	HK$'000	HK$'000
Bank and other borrowings	**139,176**	150,870
Equity attributable to owners of the parent	**874,335**	819,444
Less: Leasehold land and building revaluation reserve	**(46,499)**	(41,732)
Investment property revaluation reserve	**(13,557)**	(13,557)
Adjusted capital	**814,279**	764,155
Gearing ratio	**17.1%**	19.7%

49. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current year's presentation. The directors consider such reclassifications will allow a more appropriate presentation of the Group's state of affairs and better reflect the nature of the transactions.

50. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 March 2012.

INVESTMENT PROPERTIES

Location	Percentage of interest in property attributable to the Group	Type of existing leasehold	Existing use
Units A, B, C, D and E, 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

31 December 2011

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