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 2012
年報

GOLDEN FLOWER

Contents

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Lam Ting Ball, Paul (Chairman)
Tsui Ho Chuen, Philip
(Executive Deputy Chairman and 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
Zhang Xiaojing

Alternate Director

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

COMPANY SECRETARY

Ma Lai King

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 2012, the Group faced a challenging operating environment resulting from the slow-down of Mainland China's growth momentum. As a result of the strengthened Chinese Government's macro control over real estate market, our paint operation encountered a slow-down in the demand of paint products. However, the drop in raw material prices during the year together with the implementation of cost control measures to reduce those controllable administrative expenses as well as selling and distribution expenses improved the operating profit of the Group.

RESULTS

The Group recorded a profit attributable to the shareholders of the Company for the year of approximately HK$59.39 million, representing an increase of approximately 40.5% when compared with that of last year.

Revenue for the year amounted to approximately HK$1,315.60 million, representing an increase of approximately HK$6.38 million when compared with that of last year. Gross profit was slightly increased by approximately 4.0% when compared with that of last year to approximately HK$303.61 million due to the improvement of gross profit margin.

OPERATIONS

Paint Products

Revenue for the year amounted to approximately HK$967.65 million, representing a decrease of approximately 10.9% when compared with that of last year. The operation focused its business on Mainland China market and encountered a drop of approximately 11.7% in revenue over that of 2011. The Group will continue to focus on Mainland China market. The segment profit for the year amounted to approximately HK$73.40 million representing an increase of approximately HK$28.91 million when compared with that of last year.

The Group's first phase of production plant in Xinfeng, the PRC has been completed and is applying for the relevant production licenses. It is expected that the trial production will be commenced in the second half of 2013.

The Group believes that the new manufacturing lines would enable the Group to enhance its overall production capacity and to effectively control its production costs to cope with the future business expansion of the Group.

Property Investment

Revenue for the year amounted to approximately HK$6.92 million, representing an increase of approximately 11.6% when compared with that of last year. Segment profit for the year amounted to approximately HK$34.66 million when compared with that of approximately HK$33.86 million last year.

The 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 was refused. The Group had submitted a letter to the TPB to review the application under Section 17 of Town Planning Ordinance. The Group has been submitting further information in support of the development proposal for TPB's consideration.

OPERATIONS (continued)

Iron and Steel Trading and Related Investments

Revenue for the year amounted to approximately HK$341.04 million, representing an increase of approximately 57.3% when compared with that of last year. Segment profit for the year amounted to approximately HK$10.96 million when compared with that of approximately HK$3.41 million last year.

The improvement in segment profit for the year was mainly due to the increase in gross profit as a result of the increase in revenue together with the recovery of amounts due from an associate previously written off of HK$3.81 million.

Available-for-sale Investments

The Group has an effective interest of 11.9% (2011: 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. Sales offices are established in Hong Kong and South China region for marketing purpose. Promotion campaigns have been launched to build up awareness among target elderly.

The cemetery comprises a site of 518 mu, of which 100 mu have commenced development, and an adjacent site of 4,482 mu has been reserved, making up a total of 5,000 mu. As a result of the slow-down of the Chinese economy, the development plan for the remaining 4,900 mu will be deferred and therefore the Group has made an impairment of HK$24.70 million on this available-for-sale investment.

OUTLOOK

Looking ahead, the less robust economic outlook in Mainland China and the continuance of existing control measures to monitor the real estate market will be challenging to the Group.

Urbanisation has been a continuing theme in Mainland China for recent years and was formally established at the 18th National Congress of the Communist Party of China as one of the key directions of the national development plan. It is expected that the demand of paint products will increase steadily.

To generate and preserve its long-term value, the Group will continue to position itself as a quality-focused paint manufacturer focusing on manufacturing and selling high quality paint products with technological innovation and environment-friendly to differentiate itself from its competitors. The Group will continue to enhance the competitiveness of its prestigious brands through brand building. The Group will strive to enhance its competitive edge by strengthening sales channels to capture the increase in demand from the urbanisation. The Group will continue to invest in research and development to strengthen the technological innovation and streamline the process flow to improve the production efficiency. In face of the volatility of raw material prices, the Group will track and analyse raw material prices movement and continue to develop long-term relationship with suppliers to enhance bargaining power and through its technological innovation to improve the material utilisation.

While maintaining its existing core business of paint operation, the Group continues to invest in iron and steel trading business as well as property investment in order to diversify and broaden the investment portfolio of the Group. Nevertheless, the Group will continue to focus on its paint operation and is committed to becoming a leading manufacturer of high quality green and safe paint products.

RESULTS

The Group recorded a profit attributable to the shareholders of the Company of approximately HK$59.39 million for the year when compared with that of approximately HK$42.27 million last year. Revenue for the year amounted to approximately HK$1,315.60 million, representing an increase of approximately 0.5% when compared with that of last year. Gross profit for the year amounted to approximately HK$303.61 million, representing an increase of approximately 4.0% when compared with that of last year.

SEGMENT INFORMATION

Business Segments

Paint operation continued to be the principal business of the Group with a revenue of approximately HK$967.65 million accounting for approximately 73.6% of the Group's total revenue. It also represented a decrease of approximately 10.9% when compared with that of last year. Despite the decrease in revenue, the improvement in gross profit for the year together with the reduction in selling and distribution expenses rendered segment profit for the year amounted to approximately HK$73.40 million representing an increase of approximately 65.0% when compared with that of last year.

Property investment operation reported a revenue of approximately HK$6.92 million, accounting for approximately 0.5% of the Group's total revenue. Segment profit for the year was slightly increased to approximately HK$34.66 million when compared with that of approximately HK$33.86 million last year.

Iron and steel operation reported a revenue of approximately HK$341.04 million, accounting for approximately 25.9% of the Group's total revenue. Segment profit for the year amounted to approximately HK$10.96 million when compared with that of approximately HK$3.41 million last year.

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$1,223.80 million (2011: HK$1,216.46 million) and approximately HK$91.26 million (2011: HK$92.55 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$328.73 million as at 31 December 2012 when compared with approximately HK$319.48 million as at 31 December 2011. Bank and other borrowings amounted to approximately HK$154.52 million as at 31 December 2012 when compared with approximately HK$139.18 million as at 31 December 2011. 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 2012, approximately HK$121.11 million (78.4%) was payable within one year, approximately HK$5.68 million (3.7%) was payable in the second year, approximately HK$17.55 million (11.3%) was payable in the third to fifth years and the remaining balance of HK$10.18 million (6.6%) 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 17.7% as at 31 December 2012 compared with 17.1% as at 31 December 2011. Liquidity ratio of the Group which expressed as a percentage of current assets to current liabilities was 1.70 times as at 31 December 2012 compared with 1.76 times as at 31 December 2011.

Equity and Net Asset Value

Shareholders' funds of the Group as at 31 December 2012 was approximately HK$934.57 million compared with approximately HK$874.83 million as at 31 December 2011. Adjusted capital of the Group, being shareholders' funds less the unrealised leasehold land and building revaluation reserve and investment property revaluation reserve, as at 31 December 2012 was approximately HK$874.51 million compared with approximately HK$814.78 million as at 31 December 2011. Net assets value per share as at 31 December 2012 was HK$0.50 compared with HK$0.47 as at 31 December 2011.

LIQUIDITY AND FINANCIAL INFORMATION (continued)

Contingent Liabilities

At 31 December 2012, the banking facilities granted to various subsidiaries subject to guarantees given to banks by the Company were utilised to the extent of approximately HK$148.76 million compared with HK$68.80 million as at 31 December 2011.

Pledge of Assets

Certain land and buildings, investment properties and trade receivables with an aggregate net book value of HK$473.92 million as at 31 December 2012 (31 December 2011: HK$492.32 million) were pledged as collaterals for bank and other borrowings. At 31 December 2012, total outstanding secured bank and other borrowings amounted to HK$154.52 million as compared with HK$126.85 million as at 31 December 2011.

STAFF

Headcount as at 31 December 2012 was 1,097 (31 December 2011: 1,156). Staff costs (excluding directors' emoluments) amounted to HK$145.96 million for the year when compared with HK$157.73 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 attractive staff option schemes.

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 2012, the Company has complied with the code provisions of the Code on Corporate Governance Practices (effective up to 31 March 2012) and of the Corporate Governance Code (effective from 1 April 2012) (collectively the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), except the following:

(1) 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.

(2) The Company does not have a nomination committee as the role and the function of such committee are performed by the full board. The board collectively reviews the structure, size and composition (including the skills, knowledge and experience) of the board and the appointment of any new director. Also, the board as a whole is responsible for approving the succession plan for the directors, including the chairman and the managing director.

(3) Two non-executive directors were unable to attend the annual general meeting of the Company held on 28 June 2012 due to other business commitment.

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 and Managing Director)

(Managing Director appointed on 9 January 2013)

Tsui Yam Tong, Terry (Managing Director) *(retired on 9 January 2013)*

Chong Chi Kwan (Finance Director)

Non-executive Directors

Chan Wa Shek

Hung Ting Ho, Richard

Zhang Yulin

Ko Sheung Chi

THE BOARD (continued)

Independent Non-executive Directors

Sir David Akers-Jones (Deputy Chairman)

Danny T Wong

Steven Chow

Zhang Xiaojing *(appointed on 19 December 2012)*

Alternate Director

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

The biographical details of the directors and the relationships among them are set out in the "Biographies of directors and senior management" on pages 23 to 25.

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 the management of the board and 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 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 four independent non-executive directors and one of the independent non-executive directors 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 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, corporate governance duties and other significant operational and financial matters. The board has delegated the day-to-day operations of the Group to management under the leadership of the managing director.

THE BOARD (continued)

The board meets regularly to discuss and review the Group's overall strategy as well as the operation and financial performance of the Group and other duties of the board. 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 at the board meetings/resolutions and general meetings is set out below:

Directors	**Number of board meetings attended/held**		**Number of resolutions in writing in lieu of meeting consented/ passed**	**Number of general meetings attended/held**
	Regular	Other		
Executive Directors				
Lam Ting Ball, Paul	4/4	5/5	1/1	1/1
Tsui Ho Chuen, Philip	4/4	5/5	1/1	1/1
Tsui Yam Tong, Terry *(Note 1)*	4/4	5/5	1/1	1/1
Chong Chi Kwan	4/4	4/5	1/1	1/1
Non-executive Directors				
Chan Wa Shek	4/4	0/5	1/1	1/1
Hung Ting Ho, Richard *(Note 2)*	3/4	0/5	1/1	1/1
Zhang Yulin	3/4	0/5	1/1	0/1
Ko Sheung Chi	4/4	0/5	1/1	0/1
Independent Non-executive Directors				
Sir David Akers-Jones	4/4	0/5	1/1	1/1
Danny T Wong	4/4	0/5	1/1	1/1
Steven Chow	3/4	0/5	1/1	1/1
Zhang Xiaojing *(Note 3)*	0/0	0/0	0/0	0/0

Note 1: Mr. Tsui Yam Tong, Terry retired from the position of managing director and executive director with effect from 9 January 2013.

Note 2: Mr. Hung Ting Ho, Richard attended two board meetings in person and one board meeting by his alternate, Mr. Chong Shaw Swee, Alan.

Note 3: Mr. Zhang Xiaojing has been appointed an independent non-executive director with effect from 19 December 2012.

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. A set of procedures and criteria for selecting candidates for directorship of the Company has been in place. During the year, based on the recommendation of the executive directors, the board approved the appointment of Mr. Zhang Xiaojing as independent non-executive director.

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.

DIRECTORS' TRAININGS

Every director must always know his responsibilities as a director of the Company and of the conduct, business activities and development of the Company. Every newly appointed director would receive an induction package covering the Group's business, the statutory and regulatory obligations and duties of a director of a listed company. The Company continuously updates the directors on the Group's business and the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices. During the year, the directors participated the following trainings:

DIRECTORS' TRAININGS (continued)

Directors	Type of trainings
Executive Directors	
Lam Ting Ball, Paul	A,C
Tsui Ho Chuen, Philip	A,C
Chong Chi Kwan	A,B,C
Non-executive Directors	
Chan Wa Shek	A,C
Hung Ting Ho, Richard	A,B,C
Zhang Yulin	A,C
Ko Sheung Chi	A,B,C
Independent Non-executive Directors	
Sir David Akers-Jones	A,C
Danny T Wong	A,B,C
Steven Chow	A,C
Zhang Xiaojing	A
Alternate Director	
Chong Shaw Swee, Alan (alternate to Hung Ting Ho, Richard)	A,C

A: Reading materials given by the Company relating to the Company's business and the regular updates on the Listing Rules and other applicable regulatory requirements relevant to the director's duties and responsibilities

B: Attending briefings/seminars/conferences relevant to the director's duties and responsibilities

C: Reading newspapers, journals and updates relating to the economy, environment and social issues or the director's duties and responsibilities

BOARD COMMITTEES

The board has established the following committees with defined terms of reference (available on the website of the Company www.cntgroup.com.hk), 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 external auditors the reporting of financial and other information to the shareholders (including the 2011 annual results and the 2012 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 and Danny T Wong.

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, market conditions and the corporate goals and objectives as set by the board. 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
Danny T Wong	1/1	1/1

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.

CORPORATE GOVERNANCE FUNCTIONS

The board is responsible for performing the corporate governance duties with defined terms of reference as follows: (a) to develop and review the Company's policies and practices on corporate governance; (b) to review and monitor the training and continuous professional development of directors and senior management; (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to the employees and directors; and (e) to review the Company's compliance with the CG Code and disclosure in the corporate governance report.

During the year and up to the date of the report, the board has performed the corporate governance functions of the Group in accordance with its terms of reference.

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 2012 or during the period from his appointment to 31 December 2012 (as for the director appointed during 2012).

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 inside information in relation to the Company or its securities.

EXTERNAL AUDITORS' REMUNERATION

In 2012, the remuneration of the Company's external auditors, Ernst & Young, is set out below:

Services rendered to the Group	Remuneration
	HK$
Audit services	2,430,000
Non-audit services	225,000
	2,655,000

The non-audit services rendered by the external auditors included: performance of agreed-upon procedures on the Group's 2012 interim financial statements and the audit examination of the statement on details of contributions of the Group's occupational retirement schemes.

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 2012, 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.

COMMUNICATION WITH SHAREHOLDERS (continued)

The 2012 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 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 2012 for the shareholders' approval were passed.

SHAREHOLDERS' RIGHTS

Convening a special general meeting

Pursuant to bye-law 58 of the Company's bye-laws, a special general meeting may be convened by the board upon requisition by any shareholder(s) holding not less than one-tenth (10%) of the paid up capital of the Company carrying the right of voting at general meetings of the Company, by written requisition to the board or the company secretary of the Company, to require a special general meeting to be called by the board for the transaction of any business specified in such requisition. The board shall arrange to hold such general meeting within two months after the deposit of such written requisition. If within twenty-one days of the deposit of such written requisition, the board fails to proceed to convene such special general meeting, the shareholder(s) may do so in accordance with the provisions of the Companies Act 1981 of Bermuda (the "Companies Act").

Putting forward proposals at general meetings

Shareholders may submit a requisition to move a resolution at a general meeting pursuant to the Companies Act. The number of shareholders necessary for a requisition shall be: (a) any number of shareholders representing not less than one-twentieth (5%) of the total voting rights of all shareholders having at the date of the requisition a right to vote at the meeting; or (b) not less than one hundred (100) shareholders holding the Company's shares.

The requisition specifying the proposal, duly signed by the shareholders concerned, together with a statement of not more than one thousand (1,000) words with respect to the matter referred to in the proposal must be deposited at the registered office of the Company. The Company would take appropriate actions and make necessary arrangements, and the shareholders concerned would be responsible for the expenses incurred in giving effect thereto in accordance with the Companies Act.

SHAREHOLDERS' RIGHTS (continued)

Making enquiries to the board

Shareholders may send their enquiries to the board in writing for the attention of the company secretary of the Company to the Company's office in Hong Kong at 31st Floor, CNT Tower, 338 Hennessy Road, Wanchai, Hong Kong or by fax at (852) 2792 7341.

CONSTITUTIONAL DOCUMENTS

There was no change in the Company's constitutional documents during the year.

On behalf of the board of
CNT GROUP LIMITED

Lam Ting Ball, Paul
Chairman
27 March 2013

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2012.

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 2012 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 164.

The directors have resolved to recommend the payment of a final dividend of HK1 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, 26 June 2013 to the shareholders whose names appear on the Company's register of members on Thursday, 13 June 2013.

MAJOR SUPPLIERS AND CUSTOMERS

In the year under review, purchases from the Group's five largest suppliers accounted for approximately 40% of the total purchases for the year and purchases from the largest supplier included therein amounted to 13%. 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				
	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(Restated)	(Restated)	(Restated)	(Restated)
RESULTS					
Revenue	**1,315,597**	1,309,221	1,246,634	1,026,560	941,817
Operating profit/(loss)	**88,262**	59,205	41,550	53,623	(63,815)
Share of profits and losses of associates	**1,508**	2,506	3,572	864	873
Profit/(loss) before tax	**89,770**	61,711	45,122	54,487	(62,942)
Income tax expenses	**(30,420)**	(19,760)	(10,483)	(21,826)	(8,436)
Profit/(loss) for the year	**59,350**	41,951	34,639	32,661	(71,378)
PROFIT/(LOSS) ATTRIBUTABLE TO:					
Owners of the parent	**59,394**	42,273	35,015	32,799	(71,714)
Non-controlling interests	**(44)**	(322)	(376)	(138)	336
	59,350	41,951	34,639	32,661	(71,378)
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
Total assets	**1,502,483**	1,375,555	1,301,596	1,100,349	969,452
Total liabilities	**(564,212)**	(497,013)	(478,260)	(440,636)	(342,201)
Non-controlling interests	**(3,704)**	(3,710)	(3,832)	(4,056)	(4,194)
	934,567	874,832	819,504	655,657	623,057

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 165.

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 166.

SHARE CAPITAL

Details of movements in the Company's share capital during the year, together with the reasons therefor, are set out in note 38 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 40 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2012, the Company had no reserves available for distribution. Under the Companies Act 1981 of Bermuda, 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 *(retired on 9 January 2013)*

Chong Chi Kwan

Non-executive Directors

Chan Wa Shek

Hung Ting Ho, Richard

Zhang Yulin

Ko Sheung Chi

Independent Non-executive Directors

Sir David Akers-Jones

Danny T Wong

Steven Chow

Zhang Xiaojing *(appointed on 19 December 2012)*

Alternate Director

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

In accordance with the Company's bye-laws, Messrs. Hung Ting Ho, Richard, Zhang Yulin, Danny T Wong and Zhang Xiaojing 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	71	Chairman	40	More than 40 years' experience in the paint industry
Tsui Ho Chuen, Philip	49	Executive Deputy Chairman and Managing Director	28	Qualified solicitor
Chong Chi Kwan	45	Finance Director	7	More than 21 years' experience in auditing, finance and accounting
Non-executive Directors				
Chan Wa Shek CBE, ISO	82	Non-executive Director	6	Former Commissioner of Correctional Services of Hong Kong
Hung Ting Ho, Richard	59	Non-executive Director	11	More than 35 years' experience in business and financial management
Zhang Yulin	49	Non-executive Director	6	More than 16 years' experience in finance and management
Ko Sheung Chi	56	Non-executive Director	6	More than 32 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	86	Deputy Chairman and Independent Non-executive Director	22	Former Chief Secretary specialising in land planning and housing development
Danny T Wong	67	Independent Non-executive Director	9	More than 38 years' experience in finance, accounting and management
Steven Chow	68	Independent Non-executive Director	6	More than 36 years' experience in finance and management
Zhang Xiaojing	58	Independent Non-executive Director	Appointed on 19 December 2012	More than 30 years' experience in engineering and management
Alternate Director				
Chong Shaw Swee, Alan	61	Alternate Director to Hung Ting Ho, Richard	2	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 executive directors, namely, Messrs. Lam Ting Ball, Paul, Tsui Ho Chuen, Philip and Chong Chi Kwan.

Notes:

(1) Mr. Tsui Ho Chuen, Philip is the sole director and shareholder of Prime Surplus Limited ("Prime Surplus"), a substantial shareholder of the Company.

(2) 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").

(3) 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.

(4) 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.

(5) 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. Tsui Ho Chuen, Philip has taken up the position of managing director of the Company with effect from 9 January 2013. He is the sole director and shareholder of Prime Surplus, a substantial shareholder of the Company holding 23.67% of the issued share capital of the Company.

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

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 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, market conditions and the corporate goals and objectives as set by the board.

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 2012, 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	Interest of controlled corporation	—	—	447,053,620	—	447,053,620	23.67%
Chong Shaw Swee, Alan	2	Interest of controlled corporations	—	—	281,049,655	—	281,049,655	14.88%

(ii) Underlying shares

Name	Note	**Capacity**	**Nature of equity derivative** (unlisted and physically settled)	**Number of underlying shares**
Tsui Ho Chuen, Philip	3	Beneficiary of trust	option	98,000,000
Tsui Yam Tong, Terry *(retired on 9 January 2013)*	3	Beneficiary of trust	option	98,000,000

Notes:

(1) The 447,053,620 shares were beneficially owned by Prime Surplus. Mr. Tsui Ho Chuen, Philip is the sole director and shareholder of Prime Surplus.

(2) The details of the interest of controlled corporations held by Mr. Chong Shaw Swee, Alan are shown in note (3) 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. Rapid Growth Ltd. ("RGL"), a trustee of a discretionary trust of which Messrs. Tsui Ho Chuen, Philip and Tsui Yam Tong, Terry were discretionary beneficiaries, 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, each of them was deemed under the SFO to be interested in such underlying shares.

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

Save as disclosed above, as at 31 December 2012, 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 2012. The key terms of the Scheme are summarised below:

(i) The purpose of the Scheme is to provide the Company with a flexible and effective means to recognise and acknowledge the contributions which the participants of the Scheme have made or will make to the Group and to provide the participants with an opportunity to have a personal stake in the Company and a direct economic interest with a view to providing rewards, motivations or incentives to the participants for recognition of their contributions to the Group and to utilise their performance and efficiency and to make contributions for the benefit of the Group, retaining the existing employees and recruiting additional human resources that are valuable to the Group for attaining the long-term development and growth of the Group, and building of common objectives of the Group and the participants for the betterment of business and profitability of the Group.

(ii) The participants of the Scheme include any employee, proposed employee, director, supplier, customer and securities holder of the Company, its subsidiaries or any entity in which the Group holds an equity interest; any person or entity that provides research, development or other technological support to such companies; any adviser or consultant to any area of business or business development of such companies; and any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group.

(iii) The total number of shares available for issue under the Scheme is 188,840,569 which represents 10% of the issued share capital of the Company as at the date of this report.

SHARE OPTIONS (continued)

(iv) The total number of shares issued and which may fall to be issued upon exercise of the options granted under the Scheme and any other schemes of the Company (including the exercised, cancelled and outstanding options) to each participant in any 12-month period must not exceed 1% of the total number of shares in issue for the time being unless it is separately 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 for the exercise of an option to be notified by the board to the grantee and such period shall be determined by the board in its discretion, but in any event such period shall not be more than 10 years from the date of grant.

(vi) The subscription price of a share in respect of any option granted shall be determined by the board at its absolute discretion provided that it shall not be less than the highest of: (a) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; (b) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant; and (c) the nominal value of the Company's shares.

(vii) The Scheme remains in force until 27 June 2022.

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

Details of the movement in the share options of the Company pursuant to the Company's expired share option scheme (adopted on 28 June 2002 and expired on 27 June 2012) 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 1.1.2012	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	Balance at 31.12.2012
			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 2012, 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 and physically settled equity derivative)	**Percentage of issued share capital**
10% or more of issued share capital					
Prime Surplus	1	Beneficial owner	447,053,620	—	23.67%
Ho Mei Po, Mabel	2	Interest of spouse	447,053,620	—	23.67%
	2	Interest of spouse	—	98,000,000	5.18%
Chinaculture.com Limited	3	Beneficial owner	281,049,655	—	14.88%
Chuang's China	3	Interest of controlled corporation	281,049,655	—	14.88%
Profit Stability	3	Interest of controlled corporations	281,049,655	—	14.88%
Chuang's Consortium	3	Interest of controlled corporations	281,049,655	—	14.88%
Evergain	3	Interest of controlled corporations	281,049,655	—	14.88%
Chong Ho Pik Yu	3	Interest of spouse	281,049,655	—	14.88%

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

Name	Note	Capacity	Number of shares	Number of underlying shares (unlisted and physically settled equity derivative)	Percentage of issued share capital
Below 10% of issued share capital					
Diamond Season Limited	4	Beneficial owner	144,734,281	—	7.66%
Rightwood Enterprises Inc.	4	Interest of controlled corporation	144,734,281	—	7.66%
Lam Hok Chung, Rainier	4	Trustee	144,734,281	—	7.66%
Jong Yat Kit	4	Trustee	144,734,281	—	7.66%
Yu Sai Hung	4	Trustee	144,734,281	—	7.66%
Broadsino	5	Beneficial owner	98,000,000	—	5.18%
RGL	6	Trustee	—	98,000,000	5.18%
Polygold Holdings Limited	6	Interest of controlled corporation	—	98,000,000	5.18%
Xie Jian Ming	6	Interest of controlled corporations	—	98,000,000	5.18%
Ng Shou Ping, Lucilla	7	Interest of spouse	—	98,000,000	5.18%

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

Notes:

(1) The 447,053,620 shares were beneficially owned by Prime Surplus. This interest is duplicated in the interests of Mr. Tsui Ho Chuen, Philip 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 447,053,620 shares and 98,000,000 underlying shares under an equity derivative in which her spouse was interested under the SFO.

(3) The references to the 281,049,655 shares relate to the same block of 281,049,655 shares beneficially interested by Chinaculture.com Limited ("Chinaculture").

Chinaculture was a wholly-owned subsidiary of Chuang's China, which in turn was a 56.92% owned subsidiary of Profit Stability. Chuang's Consortium held 100% equity interest in Profit Stability. Evergain was interested in 41.39% 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 281,049,655 shares which were owned by Chinaculture.

(4) The references to the 144,734,281 shares relate to the same block of 144,734,281 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. Lam Hok Chung, Rainier ("Mr. Lam"), Mr. Jong Yat Kit ("Mr. Jong") and Mr. Yu Sai Hung ("Mr. Yu") as joint and several administrators of the estate of Kung, Nina.

Rightwood, Mr. Lam, Mr. Jong and Mr. Yu were all deemed under the SFO to be interested in these 144,734,281 shares which were owned by Diamond Season.

(5) 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 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.

(6) The references to the interests in 98,000,000 underlying shares relate to the same block of 98,000,000 underlying shares interested by RGL by virtue of an option granted by RGL to Broadsino as disclosed in note (5) above.

RGL was a wholly-owned subsidiary of Polygold Holdings Limited ("Polygold"), which in turn was wholly owned by Mr. Xie Jian Ming ("Mr. Xie").

Polygold and Mr. Xie were all deemed under the SFO to be interested in these 98,000,000 underlying shares which were taken to be interested by RGL.

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

Save as disclosed above, the Company has not been notified by any person (other than the directors of the Company) who had interests or short positions in the shares or underlying shares of the Company as at 31 December 2012 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 2012 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
27 March 2013

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 164, which comprise the consolidated and company statements of financial position as at 31 December 2012, 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 2012, 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
22/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

27 March 2013

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000 (Restated)
REVENUE	5	**1,315,597**	1,309,221
Cost of sales		**(1,011,984)**	(1,017,198)
Gross profit		**303,613**	292,023
Other income and gains	5	**29,075**	27,008
Selling and distribution expenses		**(120,979)**	(142,538)
Administrative expenses		**(112,818)**	(113,018)
Other expenses, net		**(3,003)**	(7,460)
Equity-settled share option expense	39	**(4,278)**	(6,478)
Fair value gains on investment properties, net	16	**24,767**	13,785
Impairment of an available-for-sale investment	22	**(24,700)**	—
Finance costs	7	**(3,415)**	(4,117)
Share of profits and losses of associates		**1,508**	2,506
PROFIT BEFORE TAX	6	**89,770**	61,711
Income tax expenses	10	**(30,420)**	(19,760)
PROFIT FOR THE YEAR		**59,350**	41,951
PROFIT/(LOSS) ATTRIBUTABLE TO:			
Owners of the parent	11	**59,394**	42,273
Non-controlling interests		**(44)**	(322)
		59,350	41,951
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	13		
			(Restated)
Basic and diluted		**HK3.15 cents**	HK2.24 cents

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

Year ended 31 December 2012

	2012 HK$'000	2011 HK$'000 (Restated)
PROFIT FOR THE YEAR	**59,350**	41,951
OTHER COMPREHENSIVE INCOME		
Gain on property revaluation	**—**	4,767
Share of other comprehensive income of an associate	**415**	1,315
Exchange differences on translation of foreign operations	**5,128**	19,579
OTHER COMPREHENSIVE INCOME FOR THE YEAR	**5,543**	25,661
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**64,893**	67,612
TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO:		
Owners of the parent	**64,899**	67,734
Non-controlling interests	**(6)**	(122)
	64,893	67,612

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2012

	Notes	31 December 2012 HK$'000	31 December 2011 HK$'000 (Restated)	1 January 2011 HK$'000 (Restated)
NON-CURRENT ASSETS				
Property, plant and equipment	15	**331,824**	311,821	309,784
Investment properties	16	**166,451**	141,825	138,444
Properties under development	17	**28,000**	28,000	28,000
Prepaid land lease payments	18	**22,672**	23,034	22,541
Intangible asset	19	**—**	—	1,300
Interests in associates	21	**11,511**	10,734	7,597
Available-for-sale investments	22	**101,083**	125,783	126,163
Deposits for purchases of items of property, plant and equipment	23	**21,635**	9,384	12,576
Net pension scheme assets	24	**2,574**	2,531	2,171
Deferred tax assets	36	**11,746**	5,560	—
Total non-current assets		**697,496**	658,672	648,576
CURRENT ASSETS				
Inventories	25	**95,828**	81,160	79,932
Trade and bills receivables	26	**252,448**	292,287	255,229
Prepayments, deposits and other receivables	27	**31,771**	23,660	13,902
Equity investments at fair value through profit or loss	28	**21,183**	300	174
Structured deposits	29	**75,029**	—	—
Pledged deposits		**—**	—	1,956
Cash and cash equivalents	30	**328,728**	319,476	281,701
		804,987	716,883	632,894
Non-current assets classified as held for sale	14	**—**	—	20,126
Total current assets		**804,987**	716,883	653,020

	Notes	31 December 2012 HK$'000	31 December 2011 HK$'000 (Restated)	1 January 2011 HK$'000 (Restated)
CURRENT LIABILITIES				
Trade and bills payables	31	**170,258**	167,822	171,896
Other payables, accruals and provision	32	**152,737**	127,708	128,277
Derivative financial instruments	33	**146**	—	—
Due to associates	21	**4,260**	2,200	1,900
Interest-bearing bank and other borrowings	34	**121,113**	100,186	106,125
Tax payable		**23,725**	9,466	6,013
Total current liabilities		**472,239**	407,382	414,211
NET CURRENT ASSETS		**332,748**	309,501	238,809
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,030,244**	968,173	887,385
NON-CURRENT LIABILITIES				
Interest-bearing bank and other borrowings	34	**33,402**	38,990	44,745
Deferred tax liabilities	36	**26,816**	21,709	15,018
Deferred income	37	**3,885**	4,168	4,286
Provision	32	**27,870**	24,764	—
Total non-current liabilities		**91,973**	89,631	64,049
Net assets		**938,271**	878,542	823,336

31 December 2012

	Notes	**31 December 2012 HK$'000**	31 December 2011 HK$'000 (Restated)	1 January 2011 HK$'000 (Restated)
EQUITY				
Equity attributable to owners of the parent				
Issued capital	38	**188,841**	188,841	188,841
Reserves	40(a)	**745,726**	685,991	630,663
		934,567	874,832	819,504
Non-controlling interests		**3,704**	3,710	3,832
Total equity		**938,271**	878,542	823,336

Lam Ting Ball, Paul
Director

Tsui Ho Chuen, Philip
Director

Year ended 31 December 2012

	Notes	Issued share capital HK$'000 (note 38)	Share premium account HK$'000	Share option reserve HK$'000 (note 40(b))	Contributed surplus HK$'000 (note 40(a))	Leasehold land and building revaluation reserve HK$'000	Investment property revaluation reserve* HK$'000	General reserve HK$'000 (note 40(a))	Exchange fluctuation reserve HK$'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 2011														
As previously reported		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
Prior year adjustments	2.2	–	–	–	–	–	–	–	–	–	60	60	–	60
As restated		188,841	81,145	11,871	377,677	41,732	13,557	10,144	23,263	28,866	42,408	819,504	3,832	823,336
Profit/(loss) for the year (as restated)		–	–	–	–	–	–	–	–	–	42,273	42,273	(322)	41,951
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	42,273	67,734	(122)	67,612
Final 2010 dividend declared and paid		–	–	–	(18,884)	–	–	–	–	–	–	(18,884)	–	(18,884)
Equity-settled share option arrangement	39	–	–	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#	84,681#	874,832	3,710	878,542

Year ended 31 December 2012

	Notes	Issued share capital HK$'000 (note 38)	Share premium account HK$'000	Share option reserve HK$'000 (note 40(b))	Contributed surplus HK$'000 (note 40(a))	Leasehold land and building revaluation reserve HK$'000	Investment property revaluation reserve* HK$'000	General reserve HK$'000 (note 40(a))	Exchange fluctuation reserve HK$'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 2012														
As previously reported		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
Prior year adjustments	2.2	–	–	–	–	–	–	–	–	–	497	497	–	497
As restated		188,841	81,145	18,349	358,793	46,499	13,557	10,144	42,721	30,102	84,681	874,832	3,710	878,542
Profit/(loss) for the year		–	–	–	–	–	–	–	–	–	59,394	59,394	(44)	59,350
Other comprehensive income for the year:														
Share of other comprehensive income of an associate		–	–	–	–	–	–	–	–	415	–	415	–	415
Exchange differences on translation of foreign operations		–	–	–	–	–	–	–	5,090	–	–	5,090	38	5,128
Total comprehensive income/(loss) for the year		–	–	–	–	–	–	–	5,090	415	59,394	64,899	(6)	64,893
Final 2011 dividend declared and paid	12	–	–	–	(9,442)	–	–	–	–	–	–	(9,442)	–	(9,442)
Equity-settled share option arrangement	39	–	–	4,278	–	–	–	–	–	–	–	4,278	–	4,278
At 31 December 2012		188,841	81,145#	22,627#	349,351#	46,499#	13,557#	10,144#	47,811#	30,517#	144,075#	934,567	3,704	938,271

* 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 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$745,726,000 (2011: HK$685,991,000 (as restated)) in the consolidated statement of financial position.

Year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**89,770**	61,711
Adjustments for:			
Finance costs	7	**3,415**	4,117
Share of profits and losses of associates		**(1,508)**	(2,506)
Bank interest income	5	**(2,755)**	(1,860)
Depreciation	6	**20,927**	34,847
Amortisation of an intangible asset	6	**—**	150
Amortisation of prepaid land lease payments	6	**548**	536
Recognition of deferred income	5	**(315)**	(308)
Gain on disposal of non-current assets classified as held for sale	5	**—**	(6,400)
Gain on disposal of a subsidiary	5	**(60)**	(9,853)
Loss/(gain) on disposal of items of property, plant and equipment, net	6	**(141)**	1,496
Gain on disposal of an equity investment at fair value through profit or loss - held for trading	5	**(82)**	—
Write-off of items of property, plant and equipment	6	**1,361**	2,047
Fair value gains on investment properties, net	16	**(24,767)**	(13,785)
Fair value losses/(gains), net:			
Equity investments at fair value through profit or loss – held for trading	5	**(11,122)**	(126)
Structured deposits	5	**(479)**	—
Derivative instruments – transactions not qualifying as hedges	6	**146**	—
Impairment of an available-for-sale investment	22	**24,700**	—
Impairment of an intangible asset	6	**—**	1,150
Impairment of an other receivable	6	**1,366**	—
Write-back of inventories to net realisable value	6	**(4,615)**	(941)
Provision for/(reversal of) impairment of trade receivables	6	**(1,534)**	4,331
Impairment of an amount due from an associate	6	**—**	120
Equity-settled share option expense	39	**4,278**	6,478
Provision for employee termination benefits	6	**4,099**	24,764
		103,232	105,968
Decrease/(increase) in inventories		**(9,431)**	3,044
Decrease/(increase) in trade and bills receivables		**43,334**	(32,178)
Increase in prepayments, deposits and other receivables		**(12,366)**	(9,060)
Increase/(decrease) in trade and bills payables		**1,055**	(11,813)
Increase/(decrease) in other payables and accruals		**23,010**	(3,773)
Exchange realignment		**990**	2,592
Cash generated from operations		**149,824**	54,780

Year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
Cash generated from operations		**149,824**	54,780
Interest paid		**(3,166)**	(4,345)
Interest element of finance lease rental payments		**(5)**	(32)
Overseas taxes paid		**(17,193)**	(15,350)
Hong Kong profits tax paid		**(62)**	—
Net cash flows from operating activities		**129,398**	35,053
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(39,651)**	(34,424)
Purchases of an equity investment at fair value through profit or loss		**(6,653)**	—
Proceeds from disposal of items of property, plant and equipment		**627**	2,030
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
Proceeds from sale of an equity investment at fair value through profit or loss		**143**	—
Additions to investment properties	16	**(294)**	(633)
Investment in an associate		**—**	(394)
Advances to an associate		**—**	(120)
Increase in net pension scheme assets	24(b)	**(43)**	(360)
Investment in structured deposits		**(74,550)**	—
Interest received		**2,755**	1,530
Dividend received from an associate		**1,150**	1,078
Disposal of a subsidiary	41	**60**	30,828
Purchase of an available-for-sale investment		**—**	(20)
Deposits paid for purchases of items of property, plant and equipment	23	**(13,613)**	(1,320)
Decrease in time deposits with original maturity of more than three months when acquired		**7,950**	22,772
Net cash flows from/(used in) investing activities		**(122,119)**	47,613
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**315,637**	531,848
Repayment of bank loans		**(300,166)**	(544,689)
Dividend paid		**(9,442)**	(18,884)
Advance from associates		**2,060**	300
Capital element of finance lease rental payments		**(234)**	(686)
Net cash flows from/(used in) financing activities		**7,855**	(32,111)

Year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
NET INCREASE IN CASH AND CASH EQUIVALENTS		**15,134**	50,555
Cash and cash equivalents at beginning of year		**307,437**	248,846
Effect of foreign exchange rate changes, net		**2,068**	8,036
CASH AND CASH EQUIVALENTS AT END OF YEAR		**324,639**	307,437
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	30	**246,558**	172,781
Non-pledged time deposits with original maturity of less than three months when acquired	30	**78,081**	134,656
Cash and cash equivalents as stated in the consolidated statement of cash flows		**324,639**	307,437
Non-pledged time deposits with original maturity of more than three months when acquired	30	**4,089**	12,039
Cash and cash equivalents as stated in the consolidated statement of financial position		**328,728**	319,476

STATEMENT OF FINANCIAL POSITION

31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**258**	344
Interests in subsidiaries	20	**528,421**	518,672
Total non-current assets		**528,679**	519,016
CURRENT ASSETS			
Prepayments, deposits and other receivables	27	**310**	348
Cash and cash equivalents	30	**15,019**	14,586
Total current assets		**15,329**	14,934
CURRENT LIABILITIES			
Other payables and accruals	32	**4,767**	3,291
Interest-bearing other borrowings	34	**16**	15
Total current liabilities		**4,783**	3,306
NET CURRENT ASSETS		**10,546**	11,628
TOTAL ASSETS LESS CURRENT LIABILITIES		**539,225**	530,644
NON-CURRENT LIABILITIES			
Interest-bearing other borrowings	34	**24**	40
Net assets		**539,201**	530,604
EQUITY			
Issued capital	38	**188,841**	188,841
Reserves	40(b)	**350,360**	341,763
Total equity		**539,201**	530,604

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 classified as property, plant and equipment, structured deposits, derivative financial instruments, equity investments at fair value through profit or loss and net pension scheme assets, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand ("HK$'000") except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2012. 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 it 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.

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

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 revised HKFRSs for the first time for the current year's 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*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

Other than as further explained below regarding the impact of amendments to HKAS 12, the adoption of the revised HKFRSs has had no significant financial effect on these financial statements.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

The HKAS 12 Amendments clarify the determination of deferred tax for investment property measured at fair value and 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. Prior to the adoption of the amendments, deferred tax with respect to the Group's investment properties was provided on the basis that the carrying amount will be recovered through use, and accordingly the profits tax rate had been applied to the calculation of deferred tax arising on the revaluation of the Group's investment properties. Upon the adoption of HKAS 12 Amendments, deferred tax in respect of the Group's investment properties is provided on the presumption that the carrying amount will be recovered through sale. The effects of the above change are summarised below:

	2012	2011
	HK$'000	HK$'000
Consolidated income statement for the year ended 31 December		
Decrease in income tax expenses	**906**	437
Increase in profit for the year	**906**	437
Increase in basic and diluted earnings per share (HK cents)	**0.05**	0.02
Consolidated statement of financial position at 31 December		
Decrease in deferred tax liabilities and total non-current liabilities	**(1,403)**	(497)
Increase in net assets and reserves	**1,403**	497

	2011
	HK$'000
Consolidated statement of financial position at 1 January	
Decrease in deferred tax liabilities and total non-current liabilities	(60)
Increase in net assets and reserves	60

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans*[2]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*[2]
HKFRS 9	*Financial Instruments*[4]
HKFRS 10	*Consolidated Financial Statements*[2]
HKFRS 11	*Joint Arrangements*[2]
HKFRS 12	*Disclosure of Interests in Other Entities*[2]
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – *Transition Guidance*[2]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – *Investment Entities*[3]
HKFRS 13	*Fair Value Measurement*[2]
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*[1]
HKAS 19 (2011)	*Employee Benefits*[2]
HKAS 27 (2011)	*Separate Financial Statements*[2]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*[2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[3]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*[2]
Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012[2]

1 Effective for annual periods beginning on or after 1 July 2012
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2014
4 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 HKFRSs that are expected to be applicable to the Group is as follows:

The HKFRS 7 Amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32 *Financial Instruments: Presentation*. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with HKAS 32. The Group expects to adopt the amendments from 1 January 2013.

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. The Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

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

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 addresses the issues raised in HK(SIC)-Int 12. Based on the preliminary analyses performed, HKFRS 10 is not expected to have any impact on the currently held investments of the Group.

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.

HKFRS 12 includes the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities 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.

In July 2012, the HKICPA issued amendments to HKFRS 10, HKFRS 11 and HKFRS 12 which clarify the transition guidance in HKFRS 10 and provide further relief from full retrospective application of these standards, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The amendments clarify that retrospective adjustments are only required if the consolidation conclusion as to which entities are controlled by the Group is different between HKFRS 10 and HKAS 27 or HK(SIC)-Int 12 at the beginning of the annual period in which HKFRS 10 is applied for the first time. Furthermore, for disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before HKFRS 12 is first applied.

The amendments to HKFRS 10 issued in December 2012 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with HKFRS 9 rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 12 also set out the disclosure requirements for investment entities. The Group expects that these amendments will not have any impact on the Group as the Company is not an investment entity as defined in HKFRS 10.

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

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, HKAS 27 (2011), HKAS 28 (2011), and the subsequent amendments to these standards issued in July and December 2012 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.

The HKAS 1 Amendments 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, net gain on hedge of a net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items which will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendments will affect presentation only and have no impact on the financial position or performance. The Group expects to adopt the amendments from 1 January 2013.

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.

The HKAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to setoff" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in HKAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2014.

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

The *Annual Improvements to HKFRSs 2009-2011 Cycle* issued in June 2012 sets out amendments to a number of HKFRSs. The Group expects to adopt the amendments from 1 January 2013. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Group. Those amendments that are expected to have a significant impact on the Group's policies are as follows:

(a) HKAS 1 *Presentation of Financial Statements*: Clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the previous period. The additional comparative information does not need to contain a complete set of financial statements.

In addition, the amendment clarifies that the opening statement of financial position as at the beginning of the preceding period must be presented when an entity changes its accounting policies; makes retrospective restatements or makes reclassifications, and that change has a material effect on the statement of financial position. However, the related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

(b) HKAS 32 *Financial Instruments: Presentation*: Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with HKAS 12 *Income Taxes*. The amendment removes existing income tax requirements from HKAS 32 and requires entities to apply the requirements in HKAS 12 to any income tax arising from distributions to equity holders.

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 to measure 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 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-related 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 previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in 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. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of HKAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

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 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 has been allocated to a cash-generating unit (or 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 the disposal. Goodwill disposed in these circumstances is measured based on the relative value of the disposed operation 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 an 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

An item of property, plant and equipment including 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.

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property, plant and equipment and depreciation" above. For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the income statement.

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 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading 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 positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as 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.

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 them. 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated 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 other income and gains in the income statement. The loss arising from impairment is recognised in the income statement in finance costs for loans and in other expenses for receivables.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Available-for-sale financial investments (continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

The carrying amount of the asset is reduced through the use of an allowance account and 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 write-off is later recovered, the recovery is credited to other expenses in the income statement.

Assets carried at cost

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

Available-for-sale financial investments

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

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is removed from other comprehensive income and recognised in the income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Available-for-sale financial investments (continued)

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

Financial liabilities

Initial recognition and measurement

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

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

The Group's financial liabilities include amounts due to associates, trade and bills payables, other payables, derivative financial instruments and interest-bearing bank and other borrowings.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any interest charged on these financial liabilities.

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

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 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: (a) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (b) 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 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.

Derivative financial instruments

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as interest rate swaps, to hedge its interest rate risk. These derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and is subsequently remeasured at fair value. Derivatives are carried as an asset when the fair value is positive and as a liability when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

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

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 "Contracts 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 over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contracts for services (continued)

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.

Share-based payments

The Company operates share option schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees of the Group receive remuneration in the form of share-based payments, 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 39 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 payments, or is otherwise beneficial to the employee as measured at the date of modification.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments (continued)

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.

Other employee benefits

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 prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in 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 translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the 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 Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing 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 their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements (continued)

Operating lease commitments – Group as lessor

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

Classification between investment properties and owner-occupied properties

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

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

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

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 36 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 2012 was HK$166,451,000 (2011: HK$141,825,000).

Impairment of available-for-sale investments

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

The carrying amount of the available-for-sale investments at 31 December 2012 was HK$101,083,000 (2011: HK$125,783,000), net of impairment of HK$133,783,000 (2011: HK$109,083,000).

For the year ended 31 December 2012, an impairment loss of HK$24,700,000 (2011: Nil) was recognised for an available-for-sale investment.

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, finance costs, as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude cash and cash equivalents, structured deposits, 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 derivative financial instruments, 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 2012	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	967,647	6,915	341,035	—	1,315,597
Intersegment sales	—	8,500	—	4,979	13,479
Other revenue and gains	7,667	26,889	4,926	11,605	51,087
	975,314	42,304	345,961	16,584	1,380,163
Reconciliation:					
Elimination of intersegment sales					(13,479)
Total revenue					1,366,684
Segment results	73,395	34,659	10,959	(16,097)	102,916
Reconciliation:					
Elimination of intersegment results					6,419
Interest income					2,755
Finance costs					(3,415)
Equity-settled share option expense					(4,278)
Corporate and other unallocated expenses					(14,627)
Profit before tax					89,770

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2012	Paint products HK$'000	Property investment HK$'000	Iron and steel trading HK$'000	Others HK$'000	Total HK$'000
Segment assets	566,897	333,728	61,767	123,328	1,085,720
Reconciliation:					
Elimination of intersegment receivables					(1,882)
Corporate and other unallocated assets					418,645
Total assets					1,502,483
Segment liabilities	326,645	8,375	20,495	582	356,097
Reconciliation:					
Elimination of intersegment payables					(1,882)
Corporate and other unallocated liabilities					209,997
Total liabilities					564,212

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2012	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	—	(1,167)	(345)	4	(1,508)
Interests in associates	—	2,121	9,390	—	11,511
Depreciation	16,742	4,073	3	4	20,822
Corporate and other unallocated					105
					20,927
Capital expenditure	53,162	300	76	—	53,538
Corporate and other unallocated					20
					53,558*
Fair value gains on investment properties	—	(24,767)	—	—	(24,767)
Fair value gains on equity investments at fair value through profit or loss – held for trading, net	—	—	—	(11,122)	(11,122)
Impairment of an available-for-sale investment	—	—	—	24,700	24,700
Impairment of an other receivable	—	—	—	1,366	1,366
Reversal/recovery of amounts due from associates previously impaired/written off	—	(1,819)	(3,806)	—	(5,625)
Reversal of impairment of trade receivables	(1,534)	—	—	—	(1,534)
Write-back of inventories to net realisable value	(4,615)	—	—	—	(4,615)

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 and gains	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 (Restated)
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					173,666
Total liabilities					497,013

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)
Fair value gain on an equity investment at fair value through profit or loss – held for trading	—	—	—	(126)	(126)
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)

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

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	2012	2011
	HK$'000	HK$'000
Hong Kong	**91,255**	92,549
Mainland China	**1,223,800**	1,216,455
Other countries	**542**	217
	1,315,597	1,309,221

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

(b) Non-current assets

	2012	2011
	HK$'000	HK$'000
Hong Kong	**309,876**	300,829
Mainland China	**272,153**	223,891
Other countries	**64**	78
	582,093	524,798

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

During the year ended 31 December 2012, revenue generated from one of the Group's customers in the iron and steel trading segment amounting to approximately HK$205,483,000 individually accounted for over 10% of the Group's revenue.

During the year ended 31 December 2011, no transaction with any individual external customers derived revenue that amounted for over 10% of the Group's revenue.

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.

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

	Notes	**2012**	2011
		HK$'000	HK$'000
Revenue			
Sale of paint products and related services		**967,647**	1,086,271
Sale of iron and steel products		**341,035**	216,753
Gross rental income from investment properties		**6,915**	6,197
		1,315,597	1,309,221
Other income			
Bank interest income		**2,755**	1,860
Government grants received from Mainland China authorities		**2,419**	4,158
Commission income		**724**	658
Recognition of deferred income	37	**315**	308
Others		**4,582**	3,645
		10,795	10,629

5. REVENUE, OTHER INCOME AND GAINS (continued)

	Notes	2012 HK$'000	2011 HK$'000
Gains			
Fair value gains, net:			
Equity investments at fair value through profit or loss			
- held for trading		**11,122**	126
Structured deposits		**479**	—
Reversal/recovery of amounts due from associates previously impaired/written off		**5,625**	—
Gain on disposal of items of property, plant and equipment		**141**	—
Gain on disposal of an equity investment at fair value through profit or loss - held for trading		**82**	—
Gain on disposal of subsidiaries	41	**60**	9,853
Gain on disposal of non-current assets classified as held for sale	14	**—**	6,400
Foreign exchange differences, net		**771**	—
		18,280	16,379
Total other income and gains		**29,075**	27,008

6. PROFIT BEFORE TAX

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

	Notes	2012 HK$'000	2011 HK$'000
Cost of inventories sold		**1,011,984**	1,016,862
Cost of services provided		**—**	336
Depreciation	15	**20,927**	34,847
Amortisation of an intangible asset**	19	**—**	150
Minimum lease payments under operating leases in respect of land and buildings		**6,578**	8,165
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties		**828**	513
Auditors' remuneration:			
Audit related services		**2,552**	2,480
Other services		**225**	210
Employee benefit expense (excluding directors' remuneration (note 8)):			
Wages and salaries		**131,616**	126,118
Pension scheme contributions (defined contribution schemes)#		**10,289**	7,211
Net pension scheme gain (defined benefit scheme)	24(b)	**(43)**	(360)
Provision for employee termination benefits		**4,099**	24,764
		145,961	157,733

6. PROFIT BEFORE TAX (continued)

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

	Notes	2012 HK$'000	2011 HK$'000
Write-back of inventories to net realisable value		**(4,615)**	(941)
Provision for/(reversal of) impairment of trade receivables	26	**(1,534)**	4,331
Fair value losses, net:			
Derivative instruments			
- transactions not qualifying as hedges*		**146**	—
Loss/(gain) on disposal of items of property, plant and equipment, net		**(141)**	1,496
Write-off of items of property, plant and equipment*	15	**1,361**	2,047
Impairment of an amount due from an associate**	21	**—**	120
Impairment of an other receivable*	27	**1,366**	—
Impairment of an intangible asset*	19	**—**	1,150
Amortisation of prepaid land lease payments	18	**548**	536
Foreign exchange differences, net		**(771)**	2,137

* 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 2012 and 2011, the Group had no material forfeited contributions available to reduce its contributions to the retirement benefit scheme in future years.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Interest on:		
Bank loans wholly repayable within five years	**3,446**	3,920
Bank loans not wholly repayable within five years	**667**	792
Finance leases	**5**	32
Total interest expense on financial liabilities	**4,118**	4,744
Less: Interest capitalised	**(886)**	(627)
	3,232	4,117
Other finance costs:		
Increase in discounted amounts of provision arising from the passage of time	**183**	—
	3,415	4,117

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	
	2012	2011
	HK$'000	HK$'000
Fees:		
Executive directors	**2,100**	2,100
Non-executive directors	**400**	400
Independent non-executive directors	**500**	500
	3,000	3,000
Other emoluments:		
Salaries, allowances and benefits in kind	**14,964**	14,534
Discretionary bonuses	**2,249**	1,279
Pension scheme contributions	**450**	806
Consultancy fee	**300**	100
	17,963	16,719
	20,963	19,719

(a) Independent non-executive directors

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

	2012	2011
	HK$'000	HK$'000
Sir David Akers-Jones	**200**	200
Steven Chow	**100**	100
Danny T Wong	**200**	200
	500	500

There were no other emoluments payable to the independent non-executive directors during the year (2011: 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
2012						
Executive directors:						
Lam Ting Ball, Paul	860	2,117	175	14	–	3,166
Tsui Ho Chuen, Philip	880	5,480	821	350	–	7,531
Tsui Yam Tong, Terry	–	6,445	1,009	72	–	7,526
Chong Chi Kwan	360	922	244	14	–	1,540
	2,100	14,964	2,249	450	–	19,763
Non-executive directors:						
Chan Wa Shek*	100	–	–	–	300#	400
Hung Ting Ho, Richard	100	–	–	–	–	100
Zhang Yulin	100	–	–	–	–	100
Ko Sheung Chi	100	–	–	–	–	100
	400	–	–	–	300	700
	2,500	14,964	2,249	450	300	20,463

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	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

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2011: 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 project 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 directors (2011: four), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining one (2011: one) non-director and highest paid employee for the year are as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**1,824**	1,449
Discretionary bonus	**418**	159
Pension scheme contributions	**74**	68
	2,316	1,676

10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 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	
	2012	2011
	HK$'000	HK$'000
		(Restated)
Current – Hong Kong		
Charge for the year	**985**	42
Overprovision in prior years	**(36)**	—
Current – Elsewhere		
Charge for the year	**30,633**	18,324
Underprovision/(overprovision) in prior years	**(130)**	263
Deferred (note 36)	**(1,032)**	1,131
Total tax charge for the year	**30,420**	19,760

The share of tax attributable to associates amounting to HK$226,000 (2011: HK$221,000) 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			
	2012		2011	
	HK$'000	**%**	HK$'000 (Restated)	%
Profit before tax	**89,770**		61,711	
Tax at the statutory tax rate	**14,812**	**16.5**	10,182	16.5
Different tax rates for specific provinces in the PRC, net	**8,344**	**9.3**	(1,187)	(1.9)
Adjustments in respect of current tax of previous periods	**(166)**	**(0.2)**	263	0.4
Profits attributable to associates	**(249)**	**(0.3)**	(413)	(0.7)
Depreciation adjustment	**150**	**0.2**	295	0.5
Income not subject to tax	**(8,244)**	**(9.2)**	(5,927)	(9.6)
Expenses not deductible for tax	**7,774**	**8.7**	4,656	7.5
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries	**5,070**	**5.7**	6,652	10.8
Tax losses utilised from previous periods	**(3,033)**	**(3.4)**	(930)	(1.5)
Tax losses not recognised	**5,962**	**6.6**	6,169	10.0
Tax charge at the Group's effective rate	**30,420**	**33.9**	19,760	32.0

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

Of the Group's profit attributable to owners of the parent of HK$59,394,000 (2011: HK$42,273,000 (as restated)), a profit of HK$13,761,000 (2011: HK$16,633,000) has been dealt with in the financial statements of the Company (note 40(b)).

12. DIVIDEND

	2012	2011
	HK$'000	HK$'000
Proposed final – HK1 cent (2011: HK0.5 cent) per ordinary share	**18,884**	9,442

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 2013.

At the annual general meeting held on 28 June 2012, the Company's shareholders approved the distribution of the final dividend for the year ended 31 December 2011 of HK0.5 cent per share which amounted to approximately HK$9,442,000.

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$59,394,000 (2011: HK$42,273,000 (as restated)), and the weighted average number of ordinary shares of 1,888,405,690 (2011: 1,888,405,690) in issue during the year.

No adjustment has been made to the basic earnings per share amount presented for the years ended 31 December 2012 and 2011 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.

No other diluting events existed during the years ended 31 December 2012 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 taking 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 as at 1 January 2011 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 2012							
At 1 January 2012:							
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
At 1 January 2012, net of accumulated depreciation and impairment	186,376	92,650	4,531	12,841	11,087	4,336	311,821
Additions	–	37,053	90	778	826	904	39,651
Disposals	–	–	–	(48)	(66)	(372)	(486)
Write-off	–	–	(839)	(376)	(146)	–	(1,361)
Transfer from deposits for purchases of items of property, plant and equipment (note 23)	–	1,031	382	26	–	–	1,439
Transfer from investment properties (note 16)	600	–	–	–	–	–	600
Depreciation provided during the year	(10,473)	–	(1,899)	(3,158)	(3,573)	(1,824)	(20,927)
Exchange realignment	333	573	16	107	50	8	1,087
At 31 December 2012, net of accumulated depreciation and impairment	176,836	131,307	2,281	10,170	8,178	3,052	331,824

15. PROPERTY, PLANT AND EQUIPMENT (continued)

Group (continued)

	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
At 31 December 2012:							
Cost or valuation	307,855	131,307	20,740	125,885	35,526	19,034	640,347
Accumulated depreciation and impairment	(131,019)	–	(18,459)	(115,715)	(27,348)	(15,982)	(308,523)
Net carrying amount	176,836	131,307	2,281	10,170	8,178	3,052	331,824
Analysis of cost or valuation:							
At cost	97,827	131,307	20,740	125,885	35,526	19,034	430,319
At 31 December 1994 valuation	202,000	–	–	–	–	–	202,000
At 30 June 2005 valuation (transferred from investment properties)	8,028	–	–	–	–	–	8,028
	307,855	131,307	20,740	125,885	35,526	19,034	640,347

15. PROPERTY, PLANT AND EQUIPMENT (continued)

Group (continued)

	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

15. PROPERTY, PLANT AND EQUIPMENT (continued)

Group (continued)

	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
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)

Company

	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2012				
At 1 January 2012:				
Cost	1,134	2,220	490	3,844
Accumulated depreciation	(1,127)	(1,997)	(376)	(3,500)
Net carrying amount	7	223	114	344
At 1 January 2012, net of accumulated depreciation	7	223	114	344
Additions	—	20	—	20
Depreciation provided during the year	(3)	(65)	(38)	(106)
At 31 December 2012, net of accumulated depreciation	4	178	76	258
At 31 December 2012:				
Cost	1,134	2,239	490	3,863
Accumulated depreciation	(1,130)	(2,061)	(414)	(3,605)
Net carrying amount	4	178	76	258

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 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)

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	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Furniture, fixtures and equipment	**61**	78	**47**	59
Motor vehicles	**—**	761	**—**	—
	61	839	**47**	59

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 building 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 2012 would have been HK$115,967,000 (2011: HK$122,647,000).

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 2012 and held under the following lease terms:

	Hong Kong HK$'000	Elsewhere HK$'000	Total HK$'000
Long term leases	39,104	—	39,104
Medium term leases	93,894	43,838	137,732
	132,998	43,838	176,836

At 31 December 2012, certain of the above land and buildings with an aggregate net carrying amount of HK$150,676,000 (2011: HK$158,099,000) were pledged to secure general banking facilities granted to the Group (note 34).

16. INVESTMENT PROPERTIES

	Group	
	2012	2011
	HK$'000	HK$'000
Carrying amount at 1 January	**141,825**	138,444
Additions	**294**	633
Fair value gains, net	**24,767**	13,785
Transfer from/(to) owner-occupied property (note 15)	**(600)**	9,089
Disposal of a subsidiary (note 41)	**—**	(21,000)
Exchange realignment	**165**	874
Carrying amount at 31 December	**166,451**	141,825

16. INVESTMENT PROPERTIES (continued)

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

	Group	
	2012	2011
	HK$'000	HK$'000
Long term leases in Hong Kong	**107,400**	89,050
Medium term leases in:		
Hong Kong	**38,550**	33,060
Elsewhere	**20,501**	19,715
	59,051	52,775
	166,451	141,825

The Group's investment properties were revalued on 31 December 2012 by BMI Appraisals Limited and Grant Sherman Appraisal 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 45(a).

At 31 December 2012, certain of the Group's investment properties with an aggregate carrying value of HK$145,950,000 (2011: HK$122,110,000) were pledged to secure general banking facilities granted to the Group (note 34).

Further particulars of the Group's investment properties are included on page 165.

17. PROPERTIES UNDER DEVELOPMENT

	Group	
	2012	2011
	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 2012 and up to the approval 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 of the Town Planning Board of Hong Kong.

Further particulars of the Group's properties under development are included on page 166.

18. PREPAID LAND LEASE PAYMENTS

	Group	
	2012	2011
	HK$'000	HK$'000
Carrying amount at 1 January	**23,034**	22,541
Recognised during the year (note 6)	**(548)**	(536)
Exchange realignment	**186**	1,029
Carrying amount at 31 December	**22,672**	23,034

At the end of the reporting period, the Group's parcels 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 2012	
Cost at 1 January 2012 and at 31 December 2012, net of accumulated amortisation and impairment	**—**
At 31 December 2012:	
Cost	**3,000**
Accumulated amortisation	**(450)**
Accumulated impairment	**(2,550)**
Net carrying amount	**—**
31 December 2011	
Cost at 1 January 2011, net of accumulated amortisation and impairment	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	—

The impairment recognised in the prior year mainly reflected the decrease in the 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	
	2012	2011
	HK$'000	HK$'000
Unlisted shares/investments, at cost	**218,366**	218,366
Loans to subsidiaries	**1,720,590**	1,711,159
Due to subsidiaries	**(597)**	(617)
	1,938,359	1,928,908
Impairment	**(1,409,938)**	(1,410,236)
	528,421	518,672

An impairment was recognised for certain unlisted investments in and loans to subsidiaries with a total carrying amount of HK$1,829,462,000 (before deducting the impairment loss) (2011: HK$1,793,836,000) 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$530,454,000 (2011: HK$508,236,000), which bear interest at the Hong Kong dollars best lending rate quoted by The Hongkong and Shanghai Banking Corporation Limited (the "Prime Rate") per annum and are not repayable within one year from the end of the reporting period, 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 from the end of the reporting period. 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 2012 are as follows:

Name	Place of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
The China Paint Manufacturing Company (1932) Limited	Hong Kong	Ordinary HK$200,000 Non-voting deferred HK$1,761,300	—	100	Manufacture and sale of paint products and investment holding
The China Paint Manufacturing (Shenzhen) Co., Ltd.#*	PRC/ Mainland China	HK$70,000,000	—	100	Manufacture and sale of paint products
The China Paint Mfg. Co., (Xinfeng) Ltd.#*	PRC/ Mainland China	US$8,000,000	—	100	Not yet commenced operations
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
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

20. INTERESTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries as at 31 December 2012 are as follows: (continued)

Name	Place of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
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
Full Pool Limited	Hong Kong	HK$2	—	100	Provision of advertising services and investment holding
Giraffe Paint Mfg. Co., (Shanghai) Ltd.#*	PRC/ Mainland China	US$4,000,000	—	100	Not yet commenced operations
Giraffe Paint Mfg. Co., (Xuzhou) Ltd.#*	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#*	PRC/ Mainland China	HK$50,975,000	—	100	Property investment
Hubei Giraffe Paint Mfg. Co., Ltd.##*	PRC/ Mainland China	RMB40,000,000	—	90.5	Manufacture and sale of paint products
Joyous Cheer Limited	Hong Kong	HK$1	—	100	Property development

20. INTERESTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries as at 31 December 2012 are as follows: (continued)

Name	Place of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Majority Faith Corporation*	BVI	US$1	—	100	Investment holding
Maxplus Investments Limited*	BVI	US$1	—	100	Securities investment and investment holding
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

* 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	
	2012	2011
	HK$'000	HK$'000
Share of net assets	**15,020**	14,247
Loans to an associate	**—**	1,819
Due to an associate	**—**	(4)
	15,020	16,062
Impairment	**(3,509)**	(5,328)
	11,511	10,734

At 31 December 2011, the loans to an associate totalling HK$1,819,000 were unsecured, interest-free, and had no fixed terms of repayment. In the opinion of the Company's directors, these loans were considered as quasi-equity investments in the associate and were fully impaired as of 31 December 2011. During the year ended 31 December 2012, these loans were fully settled.

During the year ended 31 December 2011, an impairment of HK$120,000 was recognised because the Company's directors considered that the loans advanced had been outstanding for some times and were not expected to be recoverable.

The amount due to an associate is unsecured, interest-free, and has no fixed terms of repayment. The amounts due to associates included in the Group's current liabilities as at 31 December 2012 of HK$4,260,000 (2011: HK$2,200,000) are unsecured and interest-free, and are either repayable with not less than 30 days' prior written notice or have no fixed terms of repayment.

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 2012	2011	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	Dormant
Liaoyang Beiyang Realestate Development Company Limited#	US$1,240,000	PRC	**50**	50	Dormant

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

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 2012. 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 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.

The Group has discontinued the recognition of its share of losses of Gobi EcoTech Limited and Liaoyang Beiyang Realestate Development Company Limited because the share of losses of these associates exceeded the Group's interests in them. The amounts of the Group's unrecognised share of losses of these associates for the current year and cumulatively were HK$2,705,000 (2011: HK$107,000) and HK$5,917,000 (2011: HK$3,212,000), respectively.

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:

	2012 HK$'000	2011 HK$'000
Assets	**80,723**	92,123
Liabilities	**58,346**	65,785
Revenue for the year	**3,189**	3,187
Profit/(loss) for the year	**(2,531)**	5,357
Reserves movements during the year	**870**	994
Dividend declared during the year	**2,300**	2,157

22. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2012 HK$'000	2011 HK$'000
Unlisted equity investments, at cost	**234,866**	234,866
Impairment	**(133,783)**	(109,083)
	101,083	125,783

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$133,783,000 (2011: HK$109,083,000) with a carrying amount before provision of HK$229,866,000 (2011: HK$229,866,000). 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 2012, a further impairment loss of HK$24,700,000 (2011: Nil) was recognised for an available-for-sale investment with a carrying amount (before the current year's provision) of HK$117,200,000.

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.

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.

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

	Group	
	2012	2011
	HK$'000	HK$'000
Carrying amount at 1 January	**9,384**	12,576
Transfer to property, plant and equipment (note 15)	**(1,439)**	(5,027)
Additions	**13,613**	1,320
Exchange realignment	**77**	515
Carrying amount at 31 December	**21,635**	9,384

As at 31 December 2012, the carrying amount represented deposits paid for the purchases of a parcel of land in Xinfeng, Guangdong Province, the PRC, machinery, equipment and office premises for the Group's paint operation, and for the construction of factories 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	
	Notes	**2012**	2011
		HK$'000	HK$'000
Fair value of scheme assets	24(d)	**8,939**	7,937
Present value of the defined benefit obligations	24(c)	**(7,480)**	(6,942)
Surplus in the pension scheme		**1,459**	995
Net unrecognised actuarial losses		**1,115**	1,536
Net pension scheme assets recognised		**2,574**	2,531

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 loss on the scheme assets for the year, are as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Current service cost	**246**	210
Interest cost on defined benefit obligations	**103**	170
Expected return on pension scheme assets	**(450)**	(720)
Net cumulative actuarial loss/(gain) recognised in the consolidated income statement	**58**	(20)
	(43)	(360)
Actual loss on scheme assets	**(1,232)**	(981)

The above amount of the Group's net pension scheme loss/(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	
	2012	2011
	HK$'000	HK$'000
At 1 January	**6,942**	5,727
Interest cost	**103**	170
Current service cost	**246**	210
Benefits paid	**(230)**	(141)
Actuarial loss	**419**	976
At 31 December	**7,480**	6,942

24. NET PENSION SCHEME ASSETS (continued)

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

	Group	
	2012	2011
	HK$'000	HK$'000
At 1 January	**7,937**	9,059
Expected return on pension scheme assets	**450**	720
Benefits paid	**(230)**	(141)
Actuarial gain/(loss) on scheme assets	**782**	(1,701)
At 31 December	**8,939**	7,937

(e) The Group does not expect to pay any contributions to the Group's defined benefit pension scheme during the year ending 31 December 2013.

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

	Group	
	2012	2011
Equities	**77%**	76%
Bonds	**22%**	20%
Cash	**1%**	4%
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	
	2012	2011
Discount rate	**0.6%**	1.5%
Expected rate of return on the scheme assets	**5.8%**	8.0%
Future salary increases	**2.5%**	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				
	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Fair value of scheme assets	**8,939**	7,937	9,059	9,339	7,470
Present value of the defined benefit obligations	**7,480**	6,942	5,727	6,787	9,324
Surplus/(deficit) in pension scheme	**1,459**	995	3,332	2,552	(1,854)
Experienced gain/(loss) arising on scheme assets	**782**	(1,701)	35	1,735	(4,525)
Experienced loss/(gain) arising on scheme liabilities	**94**	(61)	(297)	112	(226)

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 2012 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 2012, the level of funding of the pension scheme was 120% (2011: 114%), as calculated under the projected unit credit actuarial valuation method.

25. INVENTORIES

	Group	
	2012	2011
	HK$'000	HK$'000
Raw materials and spare parts	**47,349**	51,924
Work in progress	**5,354**	8,839
Finished goods	**43,125**	20,397
	95,828	81,160

26. TRADE AND BILLS RECEIVABLES

	Group	
	2012	2011
	HK$'000	HK$'000
Trade and bills receivables	**262,267**	303,545
Impairment	**(9,819)**	(11,258)
	252,448	292,287

26. TRADE AND BILLS RECEIVABLES (continued)

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The Group maintains a defined credit policy and credit periods are usually granted ranging from one to three months to normal customers. The Group seeks to maintain strict control over its 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	
	2012	2011
	HK$'000	HK$'000
Neither past due nor impaired	**172,482**	246,520
Within three months past due	**73,205**	40,523
Over three months and within six months past due	**5,867**	4,547
Over six months past due	**894**	697
	252,448	292,287

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

		Group	
	Note	**2012**	2011
		HK$'000	HK$'000
At 1 January		**11,258**	6,818
Impairment losses recognised/(reversed)	6	**(1,534)**	4,331
Write-off		**—**	(206)
Exchange realignment		**95**	315
At 31 December		**9,819**	11,258

26. TRADE AND BILLS RECEIVABLES (continued)

Included in the above provision for impairment of trade and bills receivables is a provision for individually impaired trade receivables of HK$9,819,000 (2011: HK$11,258,000) with a carrying amount before provision of HK$10,595,000 (2011: HK$11,258,000).

The individually impaired trade receivables relate to customers that have been in default in payment or in financial difficulties for prolonged periods and are not expected to be recovered.

The aged analysis of the trade and bills receivables that are not individually nor collectively considered to be impaired is as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Neither past due nor impaired	**172,112**	246,520
Within three months past due	**72,799**	40,523
Over three months and within six months past due	**5,867**	4,547
Over six months past due	**894**	697
	251,672	292,287

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 2012, certain of the trade receivables with an aggregate carrying value of HK$177,293,000 (2011: HK$212,114,000) were secured by a floating charge for general banking facilities granted to the Group (note 34).

27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Prepayments	**2,169**	2,232	**55**	36
Services contract costs incurred plus recognised profits	**1,180**	1,167	**—**	—
Deposits and other receivables	**29,432**	19,786	**255**	312
Deferred expenses	**356**	475	**—**	—
	33,137	23,660	**310**	348
Impairment (note 6)	**(1,366)**	—	**—**	—
	31,771	23,660	**310**	348

Included in the above provision for impairment is a provision for an individually impaired other receivable of HK$1,366,000, with a carrying amount before provision of HK$1,366,000, recognised during the year ended 31 December 2012 because the Company's directors considered that the balance has been outstanding for some time and is not expected to be recoverable. None of the remaining assets above are past due nor impaired. Except for the individually impaired other receivable of HK$1,366,000, the remaining financial assets included in the above balances related to receivables for which there was no recent history of default.

28. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2012	2011
	HK$'000	HK$'000
Listed equity investments, at market value:		
Hong Kong	**252**	300
Elsewhere	**20,931**	—
	21,183	300

The above equity investments at 31 December 2012 and 2011 were classified as held for trading by the Group.

29. STRUCTURED DEPOSITS

Structured deposits at 31 December 2012 were stated at fair value and represented two deposits placed in a bank. The aggregate principal of deposits was fully guaranteed by the bank while the return was not guaranteed and the maximum expected rates of return ranged from 3.7% to 3.8% per annum. The Group designated these structured deposits as investments at fair value through profit or loss on initial recognition. The Group uses the structured deposits primarily to enhance the return on investment. All structured deposits were fully redeemed upon their maturities in January 2013.

30. CASH AND CASH EQUIVALENTS

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**246,558**	172,781	**15,019**	14,586
Time deposits:				
– with original maturity of less than three months when acquired	**78,081**	134,656	**—**	—
– with original maturity of more than three months when acquired	**4,089**	12,039	**—**	—
Cash and cash equivalents	**328,728**	319,476	**15,019**	14,586

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$276,650,000 (2011: HK$246,155,000). 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 are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximate to their fair values.

31. TRADE PAYABLES

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

	Group	
	2012	2011
	HK$'000	HK$'000
Within three months	**166,626**	164,936
Over three months and within six months	**3,605**	2,872
Over six months	**27**	14
	170,258	167,822

The trade payables are unsecured, non-interest-bearing and are normally settled on 60-day terms.

32. OTHER PAYABLES, ACCRUALS AND PROVISION

		Group		Company	
	Note	**2012**	2011	**2012**	2011
		HK$'000	HK$'000	**HK$'000**	HK$'000
Deferred income	37	**331**	328	**—**	—
Other payables		**40,000**	47,585	**151**	229
Provision		**29,045**	24,764	**—**	—
Accruals and receipts in advance		**111,231**	79,795	**4,616**	3,062
		180,607	152,472	**4,767**	3,291
Less: Provision classified as non-current liabilities		**(27,870)**	(24,764)	**—**	—
		152,737	127,708	**4,767**	3,291

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

The provision of HK$29,045,000 as at 31 December 2012 (2011: HK$24,764,000) 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.

33. DERIVATIVE FINANCIAL INSTRUMENTS

	Group	
	2012	2011
	HK$'000	HK$'000
Interest rate swap contracts – liabilities	**146**	—

During the year ended 31 December 2012, the Group entered into a number of interest rate swap contracts to manage its exposure to movements in interest rates in relation to the Group's floating rate term loans.

These contracts are classified as held for trading derivatives as they are not designated as effective hedging instruments as defined by HKAS 39, and are measured at fair value through profits of loss. The aggregate fair value losses of the non-hedging derivatives amounting to HK$146,000 were charged to the consolidated income statement during the year ended 31 December 2012.

34. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2012			2011		
	Effective interest rate per annum (%)	Maturity	HK$'000	Effective interest rate per annum (%)	Maturity	HK$'000
Group						
Current						
Finance lease payables (note 35)	6.2 - 6.9	2013	20	5.7 - 6.9	2012	234
Bank loans – secured	1.3 - 8.8	2013	79,286	1.3 - 9.0	2012	53,315
Bank loans – unsecured	N/A	N/A	—	6.7	2012	12,322
Import loans – secured	1.0 - 2.4	2013	41,807	1.3 - 2.6	2012	34,315
			121,113			100,186
Non-current						
Finance lease payables (note 35)	6.2	2014 - 2016	24	6.2 - 6.9	2013 - 2016	44
Bank loans – secured	1.3 - 1.8	2014 - 2020	33,378	1.3 - 1.8	2013 - 2020	38,946
			33,402			38,990
			154,515			139,176
Company						
Current						
Finance lease payables (note 35)	6.2	2013	16	6.2	2012	15
Non-current						
Finance lease payables (note 35)	6.2	2014 - 2016	24	6.2	2013 - 2016	40
			40			55

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

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Analysed into:				
Bank loans and import loans repayable:				
Within one year or on demand	**121,093**	99,952	**—**	—
In the second year	**5,663**	5,573	**—**	—
In the third to fifth years, inclusive	**17,538**	17,260	**—**	—
Beyond five years	**10,177**	16,113	**—**	—
	154,471	138,898	**—**	—
Other borrowings repayable:				
Within one year or on demand	**20**	234	**16**	15
In the second year	**16**	20	**16**	16
In the third to fifth years, inclusive	**8**	24	**8**	24
	44	278	**40**	55
	154,515	139,176	**40**	55

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$150,676,000 (2011: HK$158,099,000) (note 15);

(ii) the Group's investment properties with an aggregate carrying value at the end of the reporting period of HK$145,950,000 (2011: HK$122,110,000) (note 16); and

(iii) the Group's trade receivables with an aggregate carrying value at the end of the reporting period of HK$177,293,000 (2011: HK$212,114,000) (note 26).

(b) Included in the Group's interest-bearing bank and other borrowings as at 31 December 2012 are borrowings with carrying amounts of HK$5,712,000 (2011: HK$24,155,000), HK$38,470,000 (2011: HK$25,599,000) and HK$208,000 (2011: HK$369,000) which are denominated in RMB, United States dollars ("US$") and Euros, respectively. All other borrowings of the Group are denominated in Hong Kong dollars.

35. FINANCE LEASE PAYABLES

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

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	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Group				
Amounts payable:				
Within one year	**21**	239	**20**	234
In the second year	**17**	21	**16**	20
In the third to fifth years, inclusive	**8**	25	**8**	24
Total minimum finance lease payments	**46**	285	**44**	278
Future finance charges	**(2)**	(7)		
Total net finance lease payables	**44**	278		
Portion classified as current liabilities (note 34)	**(20)**	(234)		
Non-current portion (note 34)	**24**	44		

35. 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	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Company				
Amounts payable:				
Within one year	**17**	17	**16**	15
In the second year	**16**	17	**16**	16
In the third to fifth years, inclusive	**8**	24	**8**	24
Total minimum finance lease payments	**41**	58	**40**	55
Future finance charges	**(1)**	(3)		
Total net finance lease payables	**40**	55		
Portion classified as current liabilities (note 34)	**(16)**	(15)		
Non-current portion (note 34)	**24**	40		

36. DEFERRED TAX

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

Deferred tax liabilities

Group

	Depreciation allowance in excess of related depreciation		Revaluation of properties		Withholding taxes		Total	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000 (Restated)
At 1 January	**4,262**	4,223	**6,744**	6,307	**11,200**	4,548	**22,206**	15,078
Prior year adjustment (note 2.2)	**—**	—	**(497)**	(60)	**—**	—	**(497)**	(60)
At 1 January (Restated)	**4,262**	4,223	**6,247**	6,247	**11,200**	4,548	**21,709**	15,018
Deferred tax charged to the income statement during the year (note 10)	**37**	39	**—**	—	**5,070**	6,652	**5,107**	6,691
Gross deferred tax liabilities recognised in the consolidated statement of financial position at 31 December	**4,299**	4,262	**6,247**	6,247	**16,270**	11,200	**26,816**	21,709

36. 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	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At 1 January	**1,845**	—	**3,715**	—	**5,560**	—
Deferred tax credited to the income statement during the year (note 10)	**1,622**	1,845	**4,517**	3,715	**6,139**	5,560
Exchange realignment	**16**	—	**31**	—	**47**	—
Gross deferred tax assets recognised in the consolidated statement of financial position at 31 December	**3,483**	1,845	**8,263**	3,715	**11,746**	5,560

The Group has estimated tax losses arising in Hong Kong of HK$970,775,000 (2011: HK$953,023,000), subject to the agreement by the Hong Kong Inland Revenue Department, 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 (2011: Nil) for offsetting against future taxable profits. Deferred tax assets had not been recognised in respect of these losses 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.

36. DEFERRED TAX (continued)

At 31 December 2011, no deferred tax had been recognised for withholding taxes that would be payable on certain unremitted earnings of certain Group's subsidiaries established in Mainland China that might subject to withholding taxes. In the opinion of the directors, it was not probable that these subsidiaries would 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 had not been recognised totalled approximately HK$13,370,000 at 31 December 2011.

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

37. DEFERRED INCOME

		Group	
	Notes	**2012**	2011
		HK$'000	HK$'000
At 1 January		**4,496**	4,600
Recognised during the year	5	**(315)**	(308)
Exchange realignment		**35**	204
At 31 December		**4,216**	4,496
Portion classified as current liabilities	32	**(331)**	(328)
Non-current portion		**3,885**	4,168

37. DEFERRED INCOME (continued)

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 parcel 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.

38. SHARE CAPITAL

Shares

	2012	2011
	HK$'000	HK$'000
Authorised:		
2,880,000,000 ordinary shares of HK$0.10 each	**288,000**	288,000
Issued and fully paid:		
1,888,405,690 (2011: 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 years ended 31 December 2012 and 2011.

Share options

Details of the Company's share option schemes and the share options issued under the schemes are included in note 39 to the financial statements.

39. SHARE OPTION SCHEMES

The 2002 Scheme

On 28 June 2002, the Company adopted a share option scheme (the "2002 Scheme"), which was approved by the shareholders of the Company at the special general meeting held on the same date. 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.

152,800,000 share options were granted on 27 May 2010 under the 2002 Scheme to employees of the Group to subscribe for a total of 152,800,000 new shares of the Company of HK$0.10 each, 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 vested on 27 May 2011, 10% of the share options vested 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 the share options granted on 27 May 2010 was HK$26,302,000, of which the Group recognised an equity-settled share option expense of HK$4,278,000 during the year ended 31 December 2012 (2011: HK$6,478,000).

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).

The 2002 Scheme expired on 27 June 2012 and no further options shall be issued thereafter but, in all other respects, the 2002 Scheme shall remain in force to the extent necessary to give effect to the exercise of the outstanding options granted. All outstanding share options under 2002 Scheme will continue to be valid and exercisable in accordance with the terms of the 2002 Scheme.

39. SHARE OPTION SCHEMES (continued)

The 2012 Scheme

The 2012 Scheme was adopted by the Company on 28 June 2012, pursuant to a resolution passed at the annual general meeting held on the same date. Unless terminated by resolution in general meeting or by the board of directors, the 2012 Scheme shall be valid and effective for a period of 10 years commencing on 28 June 2012, after which period no further options will be issued but, in all other aspects, the provision of the 2012 Scheme shall remain in full force and effect. Further details are set out in the circular of the Company dated 30 April 2012.

The 2012 Scheme will expire on 27 June 2022. At the end of the reporting period, no share options were granted under the 2012 Scheme.

40. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the years ended 31 December 2011 and 2012 are presented in the consolidated statement of changes in equity on pages 41 and 42 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 2012 and 2011. The amount of goodwill was stated at its cost, less cumulative impairment which arose in years prior to 1 January 2005.

40. 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 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 39)	—	6,478	—	—	6,478
Final 2010 dividend declared and paid	—	—	(18,884)	—	(18,884)
At 31 December 2011 and 1 January 2012	81,145	18,349	399,098	(156,829)	341,763
Total comprehensive income for the year (note 11)	—	—	—	13,761	13,761
Equity-settled share option arrangement (note 39)	—	4,278	—	—	4,278
Final 2011 dividend declared and paid	—	—	(9,442)	—	(9,442)
At 31 December 2012	**81,145**	**22,627**	**389,656**	**(143,068)**	**350,360**

* 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.

41. DISPOSAL OF SUBSIDIARIES

During the year, the Group disposed of its entire equity interest in a subsidiary, which owned a vehicle licence, to an independent third party at a cash consideration of HK$60,000.

During the year ended 31 December 2011, the Group disposed of its entire equity interest in a subsidiary, which was 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	**2012**	2011
		HK$'000	HK$'000
Net assets disposed of:			
Investment property	16	**—**	21,000
Accruals		**—**	(25)
		—	20,975
Gain on disposal of subsidiaries	5	**60**	9,853
		60	30,828
Satisfied by cash, net		**60**	30,828

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

	2012	2011
	HK$'000	HK$'000
Cash consideration received and net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	**60**	30,828

42. 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.

(b) During the year ended 31 December 2012, 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 HK1,439,000 (2011: HK$5,027,000).

43. CONTINGENT LIABILITIES

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

	Company	
	2012	2011
	HK$'000	HK$'000
Guarantees given to banks in connection with facilities granted to subsidiaries	**351,160**	245,092

As at 31 December 2012, the banking facilities granted to subsidiaries subject to guarantees given to banks by the Company were utilised to the extent of approximately HK$148,759,000 (2011: HK$68,801,000).

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

44. PLEDGE OF ASSETS

Details of the Group's bank loans and other borrowings secured by certain assets of the Group are included in note 34.

45. 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 2012, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Within one year	**3,728**	3,939
In the second to fifth years, inclusive	**2,032**	934
	5,760	4,873

(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 2012, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**2,471**	4,411	**56**	52
In the second to fifth years, inclusive	**1,569**	4,082	**—**	—
	4,040	8,493	**56**	52

46. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 45(b) above, the Group had the following capital commitments at the end of the reporting period:

		Group	
	Notes	**2012**	2011
		HK$'000	HK$'000
Contracted, but not provided for:			
Purchases of land use rights	(a)	**1,941**	1,925
Capital contribution to subsidiaries	(b)	**15,502**	15,533
Construction and purchases of items of property, plant and equipment		**17,457**	46,636
		34,900	64,094
Authorised, but not contracted for:			
Capital contribution to a subsidiary	(c)	**—**	15,533
		34,900	79,627

Notes:

(a) On 21 January 2008, the Group entered into an agreement with the government of Xinfeng, Guangdong Province, the PRC to purchase a parcel 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 2012 (2011: RMB6,658,000).

(b) 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 2012 and 2011.

(c) 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, which was fully paid up by the Group at 31 December 2012 (2011: US$3,000,000).

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

47. RELATED PARTY TRANSACTIONS

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

(a) Transactions with a related party

	2012 HK$'000	2011 HK$'000
Rental expenses paid to a company controlled by a director of the Company	**103**	—
Advertising expense paid to a company controlled by a director of the Company	**496**	—

Note: The Group leased certain properties and advertising site from the Group's related party at rates and conditions similar to those offered by independent third parties.

The above related party transactions also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules. These transactions are exempted from relevant disclosures and other requirements, pursuant to Rule 14A.33 of the Listing Rules.

(b) 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 to the financial statements.

(c) Compensation of key management personnel of the Group

	2012 HK$'000	2011 HK$'000
Short term employee benefits	**19,313**	17,913
Post-employment benefits	**450**	806
Total compensation paid/payable to key management personnel	**19,763**	18,719

Further details of directors' emoluments are included in note 8 to the financial statements.

48. 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

2012

Financial assets

	Financial assets at fair value through profit or loss				
	Designated as such upon initial recognition	Held for trading	Loans and receivables	Available-for-sale financial assets	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Available-for-sale investments	—	—	—	101,083	101,083
Trade and bills receivables	—	—	252,448	—	252,448
Financial assets included in prepayments, deposits and other receivables	—	—	28,066	—	28,066
Equity investments at fair value through profit or loss	—	21,183	—	—	21,183
Structured deposits	75,029	—	—	—	75,029
Cash and cash equivalents	—	—	328,728	—	328,728
	75,029	21,183	609,242	101,083	806,537

48. 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)

2012 (continued)

Financial liabilities

	Financial liabilities at fair value through profit or loss – held for trading HK$'000	Financial liabilities at amortised cost HK$'000	Total HK$'000
Due to associates	—	4,260	4,260
Trade and bills payables	—	170,258	170,258
Financial liabilities included in other payables and accruals	—	40,000	40,000
Derivative financial instruments	146	—	146
Interest-bearing bank and other borrowings	—	154,515	154,515
	146	369,033	369,179

48. 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 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

48. 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 (continued)

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Due to associates	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

48. 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	
	2012	2011
	HK$'000	HK$'000
Due from subsidiaries, net of impairment	**204,045**	171,884
Financial assets included in prepayments, deposits and other receivables	**255**	312
Cash and cash equivalents	**15,019**	14,586
	219,319	186,782

Financial liabilities

	Financial liabilities at amortised cost	
	2012	2011
	HK$'000	HK$'000
Due to subsidiaries (note 20)	**597**	617
Financial liabilities included in other payables and accruals	**151**	229
Interest-bearing other borrowings	**40**	55
	788	901

49. 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	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Trade and bills receivables	**252,448**	292,287	**252,448**	292,287
Financial assets included in prepayments, deposits and other receivables	**28,066**	19,786	**28,066**	19,786
Equity investments at fair value through profit or loss	**21,183**	300	**21,183**	300
Structured deposits	**75,029**	—	**75,029**	—
Cash and cash equivalents	**328,728**	319,476	**328,728**	319,476
	705,454	631,849	**705,454**	631,849
Financial liabilities				
Due to associates	**4,260**	2,204	**4,260**	2,204
Trade and bills payables	**170,258**	167,822	**170,258**	167,822
Financial liabilities included in other payables and accruals	**40,000**	47,585	**40,000**	47,585
Derivative financial instruments	**146**	—	**146**	—
Interest-bearing bank and other borrowings	**154,515**	139,176	**154,279**	138,902
	369,179	356,787	**368,943**	356,513

49. 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	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Due from subsidiaries, net of impairment	**204,045**	171,884	**204,045**	171,884
Financial assets included in prepayments, deposits and other receivables	**255**	312	**255**	312
Cash and cash equivalents	**15,019**	14,586	**15,019**	14,586
	219,319	186,782	**219,319**	186,782
Financial liabilities				
Due to subsidiaries	**597**	617	**597**	617
Financial liabilities included in other payables and accruals	**151**	229	**151**	229
Interest-bearing other borrowings	**40**	55	**40**	53
	788	901	**788**	899

49. 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, structured 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 values of the listed equity investments are based on quoted market prices.

The Group enters into derivative financial instruments with a financial institution with high credit ratings. Derivative financial instruments are measured using valuation techniques similar to swap model, using present value calculations. The model incorporate various market observable inputs including the credit quality of counterparty and interest rate curves. The carrying amounts of interest rate swaps are the same as their fair values.

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)

49. FAIR VALUE AND FAIR VALUE HIERARCHY (continued)

Fair value hierarchy (continued)

Group

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Assets measured at fair value:				
At 31 December 2012				
Equity investments at fair value through profit or loss – listed	**21,183**	**—**	**—**	**21,183**
Structured deposits	**—**	**75,029**	**—**	**75,029**
	21,183	**75,029**	**—**	**96,212**
At 31 December 2011				
Equity investment at fair value through profit or loss – listed	300	—	—	300
Liability measured at fair value:				
At 31 December 2012				
Derivative financial instruments	**—**	**146**	**—**	**146**

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 (2011: Nil).

The Group did not have any financial liabilities measured at fair value as at 31 December 2011.

The Company did not have any financial assets or financial liabilities measured at fair value as at 31 December 2012 and 2011.

50. 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 structured deposits, trade and bills receivables, deposits and other receivables, available-for-sale investments, equity investments at fair value through profit or loss, amounts due to associates, trade and bills payables, other payables and derivative financial instruments, which arise directly from its operations.

The Group also enters into derivative transactions. The purpose is to manage the interest rate risk arising from the Group's operations and its sources of finance.

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 summarised below. The Group's accounting policies in relation to derivatives are set out in note 2.4 to the financial statements.

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.

50. 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 retained profits.

	Group	
	Increase/ (decrease) in basis points	**Increase/ (decrease) in profit before tax HK$'000**
2012		
HK$	**50**	**(550)**
RMB	**50**	**942**
HK$	**(50)**	**550**
RMB	**(50)**	**(942)**
2011		
HK$	50	(475)
RMB	50	560
HK$	(50)	475
RMB	(50)	(560)

50. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk

The Group has transactional currency exposures. Those exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. 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
2012			
If HK$ weakens against RMB	**5**	**(461)**	**27,779**
If HK$ strengthens against RMB	**(5)**	**461**	**(27,779)**
2011			
If HK$ weakens against RMB	5	(1,446)	24,108
If HK$ strengthens against RMB	(5)	1,446	(24,108)

* Excluding retained profits

50. 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 cash and cash equivalents, structured deposits, 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 43.

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.

50. 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
2012					
Due to associates	**—**	**4,260**	**—**	**—**	**4,260**
Trade and bills payables	**—**	**170,258**	**—**	**—**	**170,258**
Other payables	**4,408**	**35,592**	**—**	**—**	**40,000**
Derivative financial instruments	**—**	**146**	**—**	**—**	**146**
Interest-bearing bank borrowings	**—**	**121,662**	**24,574**	**10,321**	**156,557**
Finance lease payables	**—**	**21**	**25**	**—**	**46**
	4,408	**331,939**	**24,599**	**10,321**	**371,267**
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

50. 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
2012				
Due to subsidiaries	**597**	**—**	**—**	**597**
Finance lease payables	**—**	**17**	**24**	**41**
Other payables	**—**	**151**	**—**	**151**
Guarantees given to banks in connection with facilities granted to subsidiaries (note 43)	**148,759**	**—**	**—**	**148,759**
	149,356	**168**	**24**	**149,548**
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 43)	68,801	—	—	68,801
	69,418	246	41	69,705

50. 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 2012 and 31 December 2011.

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

	2012 HK$'000	2011 HK$'000 (Restated)
Bank and other borrowings	**154,515**	139,176
Equity attributable to owners of the parent	**934,567**	874,832
Less: Leasehold land and building revaluation reserve	**(46,499)**	(46,499)
Investment property revaluation reserve	**(13,557)**	(13,557)
Adjusted capital	**874,511**	814,776
Gearing ratio	**17.7%**	17.1%

51. COMPARATIVE AMOUNTS

As further explained in note 2.2 to the financial statements, due to the adoption of revised HKFRSs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year adjustments have been made, certain comparative amounts have been reclassified and restated to conform with the current year's presentation and accounting treatment, and a third consolidated statement of financial position as at 1 January 2011 has been presented.

52. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 27 March 2013.

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
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 PRC	100	Medium term	Industrial

PROPERTIES UNDER DEVELOPMENT

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

CNT GROUP LIMITED
北海集團有限公司