CNT GROUP LIMITED
北 海 集 團 有 限 公 司

(Incorporated in Bermuda with limited liability)
(Stock Code : 701)

Annual Report 2014

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
Zhang Yulin
Ko Sheung Chi

Independent Non-executive Directors

Sir David Akers-Jones *(Deputy Chairman)*
Danny T Wong
Steven Chow
Zhang Xiaojing

AUDIT COMMITTEE

Sir David Akers-Jones *(AC Chairman)*
Danny T Wong
Chan Wa Shek

REMUNERATION COMMITTEE

Sir David Akers-Jones *(RC Chairman)*
Lam Ting Ball, Paul
Danny T Wong

COMPANY SECRETARY

Fok Pik Yi, Carol

AUDITORS

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

SHARE REGISTRARS

Hong Kong

Tricor Tengis Limited
Level 22, Hopewell Centre,
183 Queen's Road East, Hong Kong

Bermuda

Codan Services Limited
Clarendon House, 2 Church 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

Chairman's Statement

In 2014, the economy of Mainland China continued to grow at a slow pace. According to the preliminary accounting results of the gross domestic product for 2014 published by the National Bureau of Statistics of China, Mainland China's gross domestic product grew by 7.4%, indicating a slightly slow growth rate compared with 7.7% for 2013. The Chinese Government launched loosening monetary policies by cutting the interest rates and the required reserve ratios to boost the economy. These indicated that the economy of Mainland China has been encountering a big challenge. The Group actively responded to the market and adopted appropriate sales strategies and marketing activities to promote our paint products. The Group's core paint operation continued to maintain the segment revenue as well as segment profit. Meanwhile, the Group expanded its investment properties portfolio in both Hong Kong and Mainland China and leased the investment properties to independent third parties in order to increase the rental income as well as future capital appreciation. As a result, the Group's property investment operation continued to expand and became a significant segment.

Reference is made to the announcements of the Company dated 3 December 2013 and 19 November 2014 under which the Company announced that the Board was exploring if it was viable to spin off part of its business for a separate listing (the "Proposed Spin-off") and the Company has made a submission to The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Practice Note 15 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). Up to now, the Company has not received an approval from the Stock Exchange on the Proposed Spin-Off. In the event that the Proposed Spin-off would proceed, it may constitute a notifiable transaction on the part of the Company under Chapter 14 of the Listing Rules. Further announcement in respect of the Proposed Spin-off will be made by the Company as and when appropriate in accordance with the Listing Rules and the Securities and Futures Ordinance.

RESULTS

The Group recorded a profit attributable to the shareholders of the Company for the year of approximately HK$149.19 million, representing a decrease of approximately 8.6% when compared with that of last year. The decrease in the profit attributable to the shareholders of the Company was mainly due to the increase in the selling and distribution expenses and the decrease in the fair value gains on investment properties.

Revenue for the year amounted to approximately HK$1,473.18 million, representing an increase of approximately HK$20.57 million when compared with that of last year. Gross profit was increased by approximately 9.2% when compared with that of last year to approximately HK$419.86 million. The growth was mainly due to the increase in revenue and the improvement in the gross profit margin of paint products.

Chairman's Statement

OPERATIONS

Paint Products

Revenue for the year amounted to approximately HK$1,131.31 million, representing an increase of approximately 2.8% when compared with that of last year. The Group focused its market on Mainland China and achieved an increase of approximately 3.3% growth in revenue in respect of Mainland China market over that of 2013. The Group will continue to focus on Mainland China market. The drop in raw material costs and the strict control on overheads contributed the increase in gross profit margin from 33.2% last year to 34.8% this year. The segment profit for the year amounted to approximately HK$122.01 million representing a decrease of approximately HK$10.18 million when compared with that of last year. The decrease in the segment profit was mainly due to the increase in the selling and distribution expenses.

The Group signed an exclusive agency agreement with Resene Paints Ltd, an international paint manufacturing company in New Zealand, in February 2015. It was agreed that the Group was appointed as an exclusive and sole agent to sale and distribute Resene architectural paint products in Hong Kong and Macau. Resene paint products are famous paint products and are often used by professionals in Australia and New Zealand. By introducing Resene paint products to Hong Kong and Macau, it will diversify the paint products portfolio of the Group and bring in additional revenue to the Group.

Property Investment

Revenue for the year amounted to approximately HK$16.09 million, representing an increase of approximately 87.9% when compared with that of last year. Segment profit for the year amounted to approximately HK$54.56 million when compared with that of approximately HK$67.40 million last year. The decrease in segment profit for the year was mainly due to the decrease in the fair value gains on the investment properties of approximately HK$21.49 million. Segment profit excluding the fair value gains on the investment properties for the year amounted to approximately HK$27.43 million when compared with that of approximately HK$18.79 million last year.

During the year, the Group leased out the spare space of the warehouse in Sai Kung, Hong Kong and the shop in Mong Kok, Hong Kong to third parties in order to broaden the property investment portfolio of the Group and increase rental income as well as the future capital appreciation.

The review application under Section 17 of Town Planning Ordinance to seek Town Planning Board's approval for a proposed columbarium on the Group's existing land located in Au Tau, Yuen Long, Hong Kong was refused in December 2014. The Group had lodged an appeal to the Town Planning Appeal Board under Section 17B of Town Planning Ordinance in February 2015.

Iron and Steel Trading and Related Investments

Revenue for the year amounted to approximately HK$325.41 million, representing a decrease of approximately 5.2% when compared with that of last year. Segment profit for the year amounted to approximately HK$11.16 million when compared with that of approximately HK$17.94 million last year. The decrease in segment profit for the year was mainly due to the share of loss from an associate of approximately HK$0.4 million this year while there was the share of profit from an associate of approximately HK$5.85 million last year.

OPERATIONS (continued)

Available-for-sale Investments

The Group has an effective interest of 11.9% 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 of 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. The Chinese Government has approved to establish a martyr memorial cemetery within the memorial park for commemorating martyrs. The construction work is expected to be completed in early 2015. It is believed that this establishment can enhance customer awareness and improve sales in the long run.

OUTLOOK

Looking ahead, the market situation remains unstable. The Chinese Government will continue to focus on the stability of the economic growth. It was mentioned in the Report on the Work of the Government in March 2015 that the Chinese Government will implement several macro stabilizing measures such as proactive fiscal policy and prudent monetary policy, economic structural reform, urbanization and modernising agriculture in order to stimulate the market, increase public goods supplies and support economic development. In addition, the Chinese Government plans to build more than 7 million units of government-subidised housing in 2015. It is expected that the economy and property markets of Mainland China will grow healthily and stable. Mainland China's increasing urban population and urbanization as well as the ongoing improvement in household disposable income and living standards are expected to give a strong impetus to the demand for paint products in Mainland China. The Group believes that our paint operation will benefit from the urbanisation and the growth of household income in Mainland China.

In order to enhance competitiveness and become a leading manufacturer of high quality green and safe paint products, the Group will continue to manufacture and sell high-quality paint products. The Group will continue focus on green production, technological innovation and development. For improvement of the production efficiency, the Group will continue to invest in research and development to strengthen the technological innovation and streamline process flow. The Group will continue to pay attention on cost control and technological innovation to improve the material utilisation.

In the property market, the Hong Kong Government implemented several harsh administrative measures, i.e. Buyer's Stamp Duty, Special Stamp Duty and Double Stamp Duty. In addition, the Hong Kong Monetary Authority introduced prudent measures for property mortgage loans recently. These measures dampen the investment demand and contain the property prices. However, the underlying demand continues to be strong. For the Group's leases portfolio, a majority of commercial leases were renewed at a positive rental revision. Besides, ten residential premises located in Shenzhen, the PRC are scheduled to be handed over in 2015 and will be leased to independent third parties upon handover. As such, the Group is expected that the rental income generated from the property investment operation will be further increased.

OUTLOOK (continued)

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.

Management Discussion and Analysis

RESULTS

The Group recorded a profit attributable to the shareholders of the Company approximately HK$149.19 million for the year when compared with that of approximately HK$163.30 million last year. Revenue for the year amounted to approximately HK$1,473.18 million, representing an increase of approximately 1.4% when compared with that of last year. Gross profit for the year amounted to approximately HK$419.86 million, representing an increase of approximately 9.2% 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$1,131.31 million, accounting for approximately 76.8% of the Group's total revenue. It also represented an increase of approximately 2.8% when compared with that of last year. The drop in raw material costs and the strict control on overheads contributed the increase in gross profit. Segment profit for the year amounted to approximately HK$122.01 million representing a decrease of approximately 7.7% when compared with that of last year. The decrease in the segment profit was mainly due to the increase in the selling and distribution expenses.

Property investment operation reported a revenue of approximately HK$16.09 million, accounting for approximately 1.1% of the Group's total revenue. Segment profit for the year decreased to approximately HK$54.56 million when compared with that of approximately HK$67.40 million last year. The drop in segment profit was mainly due to the decrease in the fair value gains on the investment properties of approximately HK$21.49 million. Segment profit excluding the fair value gains on the investment properties for the year amounted to approximately HK$27.43 million when compared with that of approximately HK$18.79 million last year.

Iron and steel operation reported a revenue of approximately HK$325.41 million, accounting for approximately 22.1% of the Group's total revenue. Segment profit for the year amounted to approximately HK$11.16 million when compared with that of approximately HK$17.94 million last year. The decrease in segment profit was mainly due to the share of loss from an associate of approximately HK$0.4 million this year while there was the share of profit from an associate of approximately HK$5.85 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$1,367.55 million (2013: HK$1,351.20 million) and approximately HK$105.39 million (2013: HK$101.07 million) respectively.

LIQUIDITY AND FINANCIAL INFORMATION

The Group's business operation was generally financed by its internal funding and bank borrowings. The cash and cash equivalents amounted to approximately HK$223.51 million as at 31 December 2014 when compared with approximately HK$276.66 million as at 31 December 2013. The total cash and bank balances, including structured deposits, pledged deposits and restricted cash, amounted to approximately HK$503.24 million as at 31 December 2014 when compared with approximately HK$495.27 million as at 31 December 2013. Bank and other borrowings amounted to approximately HK$194.55 million as at 31 December 2014 when compared with approximately HK$209.23 million as at 31 December 2013. 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 2014, approximately HK$172.54 million (88.7%) was payable within one year, approximately HK$5.87 million (3.0%) was payable in the second year, approximately HK$15.13 million (7.8%) was payable in the third to fifth years and the remaining balance of HK$1.01 million (0.5%) 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 16.6% as at 31 December 2014 compared with 19.7% as at 31 December 2013. Liquidity ratio of the Group which expressed as a percentage of current assets to current liabilities was 1.90 times as at 31 December 2014 compared with 1.76 times as at 31 December 2013.

Equity and Net Asset Value

Shareholders' funds of the Group as at 31 December 2014 was approximately HK$1,339.24 million compared with approximately HK$1,155.79 million as at 31 December 2013. 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 2014 was approximately HK$1,173.48 million compared with approximately HK$1,064.14 million as at 31 December 2013. Net assets value per share as at 31 December 2014 was HK$0.71 compared with HK$0.61 as at 31 December 2013.

Contingent Liabilities

At 31 December 2014, the banking facilities granted to various subsidiaries subject to guarantees given to banks by the Company were utilised to the extent of approximately HK$200.08 million compared with HK$203.38 million as at 31 December 2013.

LIQUIDITY AND FINANCIAL INFORMATION (continued)

Pledge of Assets

Certain land and buildings, investment properties, restricted cash and cash deposits with aggregate net book value of HK$536.81 million as at 31 December 2014 (31 December 2013: HK$419.05 million) were pledged as collaterals for bank and other borrowings. At 31 December 2014, total outstanding secured bank and other borrowings amounted to HK$189.22 million compared with HK$209.23 million as at 31 December 2013.

STAFF

Headcount as at 31 December 2014 was 1,163 (31 December 2013: 1,144). Staff costs (excluding directors' emoluments) amounted to HK$170.28 million for the year as compared with HK$152.84 million last year. The Group has a comprehensive and competitive staff remuneration and benefits system which is formulated on the performance of individual employees. In addition, the Group also provides an attractive staff option scheme.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Board 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 2014, the Company has complied with the code provisions set out in the CG Code, except the following:

(1) The non-executive Directors and the independent non-executive Directors are not appointed for a specific term. According to the Bye-laws, they are subject to the requirement to retire by rotation at least once every three years. The Board considers that the requirement has the same effect of accomplishing the same objective as a specific term of appointment.

(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.

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)*
Chong Chi Kwan *(Finance Director)*

Non-executive Directors

Chan Wa Shek
Zhang Yulin
Ko Sheung Chi

Independent Non-executive Directors

Sir David Akers-Jones *(Deputy Chairman)*
Danny T Wong
Steven Chow
Zhang Xiaojing

The biographical details of the Directors and the relationships among them are set out in the "Biographies of directors and senior management" on pages 20 to 21.

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 BOARD (continued)

The non-executive Directors have diversified expertise and experiences. They provide invaluable contribution and independent judgement on issues of strategic development, performance and accountability. The Company currently has 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 meets regularly to discuss and review the Group's overall strategy, the operation and financial performance of the Group and other duties of the Board. During the year, the Board held nineteen meetings (of which four were regular meetings). The attendance record of each Director at the Board meetings and general meetings of the Company is set out below:

Directors	**Number of Board meetings attended/held**		**Number of general meetings attended/held**
	Regular	Other	
Executive Directors			
Lam Ting Ball, Paul	4/4	15/15	1/1
Tsui Ho Chuen, Philip	4/4	15/15	1/1
Chong Chi Kwan	4/4	10/15	1/1
Non-executive Directors			
Chan Wa Shek	4/4	0/15	0/1
Zhang Yulin	2/4	0/15	0/1
Ko Sheung Chi	3/4	0/15	0/1
Independent Non-executive Directors			
Sir David Akers-Jones	4/4	0/15	1/1
Danny T Wong	4/4	0/15	1/1
Steven Chow	3/4	0/15	1/1
Zhang Xiaojing	2/4	0/15	0/1

Board meetings are scheduled to be held at approximately quarterly intervals and as required by business needs. At least 14 days' notice of a regular Board meeting is given to all Directors who are given an opportunity to include matters for discussion in the agenda. Agenda and accompanying Board papers are sent to all Directors at least 3 days before the date of a regular Board meeting. 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.

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 AGM pursuant to the Bye-laws.

The Board has adopted a board diversity policy setting out the approach to achieve diversity on the Board. The Company recognises and embraces the benefits of having a diverse Board to enhance the effectiveness of the Board. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. All Board appointments will continue to be made on merit, in the context of the skills and experience the Board as a whole requires to be effective. The Board is of the view that the current Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's businesses.

DIRECTORS' TRAININGS

Every Director must always know his responsibilities as a Director and of the conduct, business activities and development of the Company. Every newly appointed Director would receive an induction package covering the Group's businesses, the statutory and regulatory obligations and duties of a director of a listed company. The Company continuously updates the Directors on the Group's businesses 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 in the following trainings:

Directors	**Type of trainings**
Executive Directors	
Lam Ting Ball, Paul	A,B,D
Tsui Ho Chuen, Philip	A,B,C,D
Chong Chi Kwan	A,B,D
Non-executive Directors	
Chan Wa Shek	A,B,D
Zhang Yulin	A,D
Ko Sheung Chi	A,B,D
Independent Non-executive Directors	
Sir David Akers-Jones	A,D
Danny T Wong	A,B,D
Steven Chow	A,D
Zhang Xiaojing	A,D

DIRECTORS' TRAININGS (continued)

A: Reading materials given by the Company relating to the Company's businesses 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: Giving talks at briefings/seminars/conferences relevant to the director's duties and responsibilities

D: 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 Audit Committee and the Remuneration Committee with defined terms of reference (available on the website of the Company at www.cntgroup.com.hk), which are of no less exacting terms than those set out in the code provisions of the CG Code.

Audit Committee

During the year, the Audit Committee consisted of three non-executive Directors (the majority of whom are independent): Sir David Akers-Jones (AC Chairman), Mr. Danny T Wong and Mr. Chan Wa Shek.

The Audit Committee met twice during the year to review with the Company's external auditors the reporting of financial and other information to the Shareholders (including the 2013 annual results and the 2014 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 Company's external auditors and the non-audit services provided by the Company's 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 *(AC 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 (RC Chairman), Mr. Lam Ting Ball, Paul and Mr. Danny T Wong.

BOARD COMMITTEES (continued)

Remuneration Committee (continued)

The remuneration of the executive Directors is determined by the Remuneration Committee and the remuneration of the non-executive Directors is 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 *(RC 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 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 2014.

The Company also 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 2014, the remuneration of the Company's external auditors, Ernst & Young, is set out below:

Services rendered to the Group	Remuneration
	HK$
Audit services	2,860,000
Non-audit services	1,011,000
	3,871,000

The non-audit services rendered by the Company's external auditors included: performance of agreed-upon procedures on the Group's 2014 interim financial statements and unaudited pro forma consolidated financial statements for the Proposed Spin-off 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 2014, 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 by the Company's external auditors about their reporting responsibilities on the financial statements is set out in the "Independent auditors' report" on pages 28 to 29.

COMMUNICATION WITH SHAREHOLDERS

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

The 2014 AGM 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.

SHAREHOLDERS' RIGHTS

Convening a special general meeting

Pursuant to bye-law 58 of the 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.

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 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.

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. With a view to bringing the existing Bye-laws in line with certain amendments to the Listing Rules and the Companies Act between 2006 and now, the Company has proposed to amend the existing Bye-laws and to adopt a new set of Bye-laws, consolidating all the proposed amendments and all previous amendments made pursuant to resolutions passed by the Shareholders at general meetings, to replace the existing Bye-laws with effect from the date of passing of the relevant special resolution at the AGM.

On behalf of the Board

Lam Ting Ball, Paul
Chairman
26 March 2015

Report of the Directors

The Directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group is principally engaged in the manufacture and sale of paint products, property investment (including the investment properties for rental income potential or for sale, and the proposed columbarium/residential property development in Hong Kong) and iron and steel trading and investment holding activities. Details of the activities of the principal subsidiaries and associates are set out in notes 18 and 19, respectively, to the financial statements.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2014 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 30 to 156.

The Directors have resolved to recommend the payment of a final dividend of HK1.2 cents 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 AGM, will be paid on 22 June 2015 to the Shareholders whose names appear on the Company's register of members on 9 June 2015.

MAJOR SUPPLIERS AND CUSTOMERS

In the year under review, purchases from the Group's five largest suppliers accounted for approximately 43% 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 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				
	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
Revenue	**1,473,181**	1,452,616	1,315,597	1,309,221	1,246,634
Operating profit	**182,527**	180,576	92,268	83,499	41,159
Share of profits and losses of associates	**1,049**	7,188	1,508	2,506	3,572
Profit before tax	**183,576**	187,764	93,776	86,005	44,731
Income tax expenses	**(33,539)**	(24,442)	(33,935)	(23,475)	(10,483)
Profit for the year	**150,037**	163,322	59,841	62,530	34,248
ATTRIBUTABLE TO:					
Owners of the parent	**149,192**	163,302	59,885	62,852	34,624
Non-controlling interests	**845**	20	(44)	(322)	(376)
	150,037	163,322	59,841	62,530	34,248
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
Total assets	**1,971,573**	1,769,942	1,494,107	1,370,304	1,302,757
Total liabilities	**(627,738)**	(610,283)	(535,167)	(472,249)	(478,260)
Non-controlling interests	**(4,596)**	(3,867)	(3,704)	(3,710)	(3,832)
	1,339,239	1,155,792	955,236	894,345	820,665

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 14 to the financial statements.

INVESTMENT PROPERTIES

Details of movements in the investment properties of the Group during the year are set out in note 15 to the financial statements. Further details of the Group's investment properties are set out on page 157 to 158.

PROPERTIES UNDER DEVELOPMENT

Details of movements in the properties under development of the Group during the year are set out in note 16 to the financial statements. Further details of the Group's properties under development are set out on page 159.

SHARE CAPITAL

Details of movements in the Company's share capital during the year, together with the reasons therefor, are set out in note 36 to the financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the 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 SHARES

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 38(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2014, the Company had no reserves available for distribution. Under the Companies Act, 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$13,000.

Report of the Directors

DIRECTORS

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

Executive Directors

Lam Ting Ball, Paul
Tsui Ho Chuen, Philip
Chong Chi Kwan

Non-executive Directors

Chan Wa Shek
Zhang Yulin
Ko Sheung Chi

Independent Non-executive Directors

Sir David Akers-Jones
Danny T Wong
Steven Chow
Zhang Xiaojing

In accordance with the Bye-laws, Mr. Lam Ting Ball, Paul, having held office for three years since his last re-election, will offer himself for re-election at the forthcoming AGM. Mr. Chan Wa Shek, Mr. Danny T Wong and Dr. Steven Chow will retire from office at the forthcoming AGM 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	73	Chairman	42	More than 42 years' experience in the paint industry
Tsui Ho Chuen, Philip	51	Executive Deputy Chairman and Managing Director	30	Qualified solicitor
Chong Chi Kwan	47	Finance Director	9	More than 23 years' experience in auditing, finance, accounting and management

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Directors (continued)

Name	Age	Position held	Number of years of service	Business experience
Non-executive Directors				
Chan Wa Shek CBE, ISO	84	Non-executive Director	8	Former Commissioner of Correctional Services of Hong Kong
Zhang Yulin	51	Non-executive Director	8	More than 18 years' experience in finance and management
Ko Sheung Chi	58	Non-executive Director	8	More than 34 years' experience in general management
Independent Non-executive Directors				
Sir David Akers-Jones GBM, KBE, CMG, JP	88	Deputy Chairman and Independent Non-executive Director	24	Former Chief Secretary specialising in land planning and housing development
Danny T Wong	69	Independent Non-executive Director	11	More than 40 years' experience in finance, accounting and management
Steven Chow	70	Independent Non-executive Director	8	More than 38 years' experience in finance and management
Zhang Xiaojing	60	Independent Non-executive Director	2	More than 32 years' experience in engineering and management

Senior management

The businesses of the Group are under the direct responsibility of three executive Directors, namely, Mr. Lam Ting Ball, Paul, Mr. Tsui Ho Chuen, Philip and Mr. Chong Chi Kwan.

Notes:

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

(2) Mr. Zhang Yulin is a director and an employee of Broadsino Investment Company Limited, which is interested in 5.19% of the issued share capital of the Company.

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

CHANGE IN DIRECTORS' INFORMATION

There is no change in the information of the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules except the changes in the Directors' remuneration which 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 businesses 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, a non-executive Director, holds directorships in Chuang's Consortium International Limited (a company whose issued shares are listed on the Stock Exchange) and certain private companies (the "Private Companies"). Chuang's Consortium International Limited and the Private Companies 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 is capable of operating its businesses independently of the businesses of the above-mentioned companies. Save as disclosed above, none of the Directors has 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 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 2014, the interests of the Directors 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:

		Number of Shares					
Name	**Capacity**	**Personal interests**	**Family interests**	**Corporate interests**	**Other interests**	**Total**	**Percentage of issued share capital**
Tsui Ho Chuen, Philip	Interest of controlled corporation	–	–	498,053,620 (Note)	–	498,053,620	26.37%

Note: The 498,053,620 Shares were beneficially owned by Prime Surplus Limited. Mr. Tsui Ho Chuen, Philip is the sole director and shareholder of Prime Surplus Limited.

Save as disclosed above, as at 31 December 2014, 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, 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 of the Company 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 2012 Share Option Scheme was adopted on 28 June 2012. Its key terms are summarised below:

(i) The purpose of the 2012 Share Option Scheme is to provide the Company with a flexible and effective means to recognise and acknowledge the contributions which the participants of the 2012 Share Option 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 2012 Share Option 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.

SHARE OPTIONS (continued)

(iii) The total number of Shares available for issue under the 2012 Share Option Scheme is 188,840,569 which represents 10% of the issued share capital of the Company as at the date of this report.

(iv) The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the 2012 Share Option 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 2012 Share Option 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 Shares.

(vii) The 2012 Share Option Scheme remains in force until 27 June 2022.

No share option has so far been granted under the 2012 Share Option Scheme since its adoption.

Details of the movement in the share options of the Company pursuant to the expired 2002 Share Option Scheme during the year are as follows:

				Number of Shares under options				
Category of eligible participants	**Date of grant**	**Exercise period**	**Exercise price per Share** HK$	**Balance at 1.1.2014**	**Granted during the year**	**Exercised during the year**	**Cancelled/ lapsed during the year**	**Balance at 31.12.2014**
Continuous contract employees	27.5.2010	27.5.2010 to 26.5.2015	0.44	152,800,000	–	–	15,280,000	137,520,000

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 2014, the register maintained by the Company under Section 336 of the SFO showed that the following persons (other than the Directors) 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 Limited	1	Beneficial owner	498,053,620	–	26.37%
Ho Mei Po, Mabel	2	Interest of spouse	498,053,620	–	26.37%
Chinaculture.com Limited	3	Beneficial owner	322,349,655	–	17.07%
Chuang's China Investments Limited	3	Interest of controlled corporation	322,349,655	–	17.07%
Profit Stability Investments Limited	3	Interest of controlled corporations	322,349,655	–	17.07%
Chuang's Consortium International Limited	3	Interest of controlled corporations	322,349,655	–	17.07%
Evergain Holdings Limited	3	Interest of controlled corporations	322,349,655	–	17.07%
Chong Shaw Swee, Alan	3	Interest of controlled corporations	322,349,655	–	17.07%
Chong Ho Pik Yu	3	Interest of spouse	322,349,655	–	17.07%
Below 10% of issued share capital					
Broadsino Investment Company Limited	4	Beneficial owner	98,000,000	–	5.19%
Rapid Growth Ltd.	5	Trustee	–	98,000,000	5.19%
Polygold Holdings Limited	5	Interest of controlled corporation	–	98,000,000	5.19%
Xie Jian Ming	5	Interest of controlled corporations	–	98,000,000	5.19%

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

Notes:

(1) The 498,053,620 Shares were beneficially owned by Prime Surplus Limited. 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 498,053,620 Shares in which her spouse was interested under the SFO.

(3) The references to the 322,349,655 Shares relate to the same block of 322,349,655 Shares beneficially interested by Chinaculture.com Limited.

Chinaculture.com Limited was a wholly-owned subsidiary of Chuang's China Investments Limited, which in turn was a 56.90% owned subsidiary of Profit Stability Investments Limited. Chuang's Consortium International Limited held 100% equity interest in Profit Stability Investments Limited. Evergain Holdings Limited was interested in 41.61% of the issued share capital of Chuang's Consortium International Limited. Mr. Chong Shaw Swee, Alan was interested in 100% of the issued share capital of Evergain Holdings Limited. Mrs. Chong Ho Pik Yu is the wife of Mr. Chong Shaw Swee, Alan.

Chuang's China Investments Limited, Profit Stability Investments Limited, Chuang's Consortium International Limited, Evergain Holdings Limited, Mr. Chong Shaw Swee, Alan and Mrs. Chong Ho Pik Yu were all deemed under the SFO to be interested in these 322,349,655 Shares which were owned by Chinaculture.com Limited.

(4) These Shares were beneficially owned by Broadsino Investment Company Limited. Pursuant to an option granted by Rapid Growth Ltd., Broadsino Investment Company Limited has a right to sell all or part of these Shares to Rapid Growth Ltd. exercisable at any time during the term of the option.

(5) The references to the interests in 98,000,000 underlying shares of the Company relate to the same block of 98,000,000 underlying shares of the Company interested by Rapid Growth Ltd. by virtue of an option granted by Rapid Growth Ltd. to Broadsino Investment Company Limited as disclosed in note (4) above.

Rapid Growth Ltd. was a wholly-owned subsidiary of Polygold Holdings Limited, which in turn was wholly owned by Mr. Xie Jian Ming.

Polygold Holdings Limited and Mr. Xie Jian Ming were all deemed under the SFO to be interested in these 98,000,000 underlying shares of the Company which were taken to be interested by Rapid Growth Ltd..

Save as disclosed above, the Company has not been notified by any person (other than the Directors) who had interests or short positions in the Shares or underlying shares of the Company as at 31 December 2014 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

Based on publicly available information and within the Directors' knowledge, the Company has maintained a sufficient public float as required under the Listing Rules as at 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 AGM.

On behalf of the Board

Lam Ting Ball, Paul
Chairman
26 March 2015

Independent Auditors' Report

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 30 to 156, which comprise the consolidated and company statements of financial position as at 31 December 2014, and the consolidated statement of profit or loss, 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.

Independent Auditors' Report

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 2014, 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

26 March 2015

Consolidated Statement of Profit or Loss

Year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
REVENUE	5	**1,473,181**	1,452,616
Cost of sales		**(1,053,317)**	(1,068,057)
Gross profit		**419,864**	384,559
Other income and gains, net	5	**22,198**	23,298
Selling and distribution expenses		**(160,433)**	(133,238)
Administrative expenses		**(119,050)**	(117,201)
Other expenses, net		**(2,290)**	(13,890)
Equity-settled share option expense	37	**(917)**	(2,758)
Fair value gains on investment properties, net	15	**27,130**	48,616
Impairment of an available-for-sale investment	20	**–**	(5,000)
Finance costs	7	**(3,975)**	(3,810)
Share of profits and losses of associates		**1,049**	7,188
PROFIT BEFORE TAX	6	**183,576**	187,764
Income tax expenses	10	**(33,539)**	(24,442)
PROFIT FOR THE YEAR		**150,037**	163,322
ATTRIBUTABLE TO:			
Owners of the parent	11	**149,192**	163,302
Non-controlling interests		**845**	20
		150,037	163,322
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	13		
Basic and diluted		**HK7.90 cents**	HK8.65 cents

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

Consolidated Statement of Comprehensive Income

Year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
PROFIT FOR THE YEAR		**150,037**	163,322
OTHER COMPREHENSIVE INCOME			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(18,541)**	19,818
Share of other comprehensive income of an associate		**590**	–
Total other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods		**(17,951)**	19,818
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods:			
Remeasurement of net pension scheme assets	22	**(281)**	2,054
Share of other comprehensive income of an associate		**–**	59
Gains on property revaluation	14	**74,115**	31,592
Total other comprehensive income not to be reclassified to profit or loss in subsequent periods		**73,834**	33,705
OTHER COMPREHENSIVE INCOME FOR THE YEAR		**55,883**	53,523
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**205,920**	216,845
ATTRIBUTABLE TO:			
Owners of the parent		**205,191**	216,682
Non-controlling interests		**729**	163
		205,920	216,845

Consolidated Statement of Financial Position

31 December 2014

	Notes	31 December 2014 HK$'000	31 December 2013 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**300,799**	321,764
Investment properties	15	**401,980**	293,794
Properties under development	16	**28,000**	28,000
Prepaid land lease payments	17	**21,682**	22,800
Interests in associates	19	**17,916**	16,277
Available-for-sale investments	20	**96,083**	96,083
Deposits for purchases of properties, and plant and equipment	21	**27,866**	28,406
Net pension scheme assets	22	**2,853**	3,297
Deferred tax assets	34	**9,326**	3,572
Total non-current assets		**906,505**	813,993
CURRENT ASSETS			
Inventories	23	**74,413**	88,543
Trade and bills receivables	24	**442,772**	328,869
Prepayments, deposits and other receivables	25	**44,640**	42,954
Equity investment at fair value through profit or loss	26	**–**	312
Structured deposits	27	**203,037**	167,377
Pledged deposits	28	**1,742**	–
Restricted cash	28	**74,958**	51,232
Cash and cash equivalents	28	**223,506**	276,662
Total current assets		**1,065,068**	955,949
CURRENT LIABILITIES			
Trade and bills payables	29	**201,916**	176,471
Other payables and accruals	30	**167,440**	168,756
Derivative financial instrument	31	**16**	15
Due to an associate	19	**2,550**	2,550
Interest-bearing bank and other borrowings	32	**172,535**	181,316
Tax payable		**17,222**	14,902
Total current liabilities		**561,679**	544,010
NET CURRENT ASSETS		**503,389**	411,939
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,409,894**	1,225,932

Consolidated Statement of Financial Position

31 December 2014

	Notes	31 December 2014 HK$'000	31 December 2013 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,409,894**	1,225,932
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	32	**22,012**	27,909
Deferred tax liabilities	34	**40,782**	34,688
Deferred income	35	**3,265**	3,676
Total non-current liabilities		**66,059**	66,273
Net assets		**1,343,835**	1,159,659
EQUITY			
Equity attributable to owners of the parent			
Issued capital	36	**188,841**	188,841
Reserves	38(a)	**1,150,398**	966,951
		1,339,239	1,155,792
Non-controlling interests		**4,596**	3,867
Total equity		**1,343,835**	1,159,659

Lam Ting Ball, Paul
Director

Tsui Ho Chuen, Philip
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2014

		Attributable to owners of the parent												
	Notes	Issued share capital HK$'000 (note 36)	Share premium account HK$'000	Share option reserve HK$'000 (note 38(b))	Contributed surplus HK$'000	Leasehold land and building revaluation reserve HK$'000	Investment property revaluation reserve* HK$'000	General reserve HK$'000	Exchange fluctuation reserve HK$'000	Reserve funds** HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2013		188,841	81,145	22,627	349,351	46,499	13,557	10,144	47,780	30,517	164,775	955,236	3,704	958,940
Profit for the year		–	–	–	–	–	–	–	–	–	163,302	163,302	20	163,322
Other comprehensive income/(loss) for the year:														
Remeasurement of net pension scheme assets	22	–	–	–	–	–	–	–	–	–	2,054	2,054	–	2,054
Share of other comprehensive income of an associate		–	–	–	–	–	–	–	(29)	88	–	59	–	59
Gains on property revaluation	14	–	–	–	–	31,592	–	–	–	–	–	31,592	–	31,592
Exchange differences on translation of foreign operations		–	–	–	–	–	–	–	19,675	–	–	19,675	143	19,818
Total comprehensive income for the year		–	–	–	–	31,592	–	–	19,646	88	165,356	216,682	163	216,845
Final 2012 dividend declared and paid		–	–	–	(18,884)	–	–	–	–	–	–	(18,884)	–	(18,884)
Equity-settled share option arrangement	37	–	–	2,758	–	–	–	–	–	–	–	2,758	–	2,758
At 31 December 2013		188,841	81,145#	25,385#	330,467#	78,091#	13,557#	10,144#	67,426#	30,605#	330,131#	1,155,792	3,867	1,159,659

Consolidated Statement of Changes in Equity

Year ended 31 December 2014

	Notes	Attributable to owners of the parent												
		Issued share capital HK$'000 (note 36)	Share premium account HK$'000	Share option reserve HK$'000 (note 38(b))	Contributed surplus HK$'000	Leasehold land and building revaluation reserve HK$'000	Investment property revaluation reserve* HK$'000	General reserve HK$'000	Exchange fluctuation reserve HK$'000	Reserve funds** HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2014		188,841	81,145	25,385	330,467	78,091	13,557	10,144	67,426	30,605	330,131	1,155,792	3,867	1,159,659
Profit for the year		-	-	-	-	-	-	-	-	-	149,192	149,192	845	150,037
Other comprehensive income/(loss) for the year:														
Remeasurement of net pension scheme assets	22	-	-	-	-	-	-	-	-	-	(281)	(281)	-	(281)
Share of other comprehensive income of an associate		-	-	-	-	-	-	-	590	-	-	590	-	590
Gains on property revaluation	14	-	-	-	-	74,115	-	-	-	-	-	74,115	-	74,115
Exchange differences on translation of foreign operations		-	-	-	-	-	-	-	(18,425)	-	-	(18,425)	(116)	(18,541)
Total comprehensive income/(loss) for the year		-	-	-	-	74,115	-	-	(17,835)	-	148,911	205,191	729	205,920
Final 2013 dividend declared and paid	12	-	-	-	(22,661)	-	-	-	-	-	-	(22,661)	-	(22,661)
Equity-settled share option arrangement	37	-	-	917	-	-	-	-	-	-	-	917	-	917
Transfer of share option reserve upon the lapse of share options		-	-	(2,630)	-	-	-	-	-	-	2,630	-	-	-
At 31 December 2014		188,841	81,145#	23,672#	307,806#	152,206#	13,557#	10,144#	49,591#	30,605#	481,672#	1,339,239	4,596	1,343,835

* The investment property revaluation reserve represents the attributable revaluation surplus in respect of the leasehold land and buildings which were reclassified as investment properties prior to 1 January 2000. This revaluation reserve arose when 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 statement of profit or loss.

** 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 amounts of the PRC reserve funds reach 50% of their registered capital. The PRC reserve funds can be used to make good the future losses of these PRC entities or to increase their registered capital.

These reserve accounts comprise the consolidated reserves of HK$1,150,398,000 (2013: HK$966,951,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**183,576**	187,764
Adjustments for:			
Finance costs	7	**3,975**	3,810
Share of profits and losses of associates		**(1,049)**	(7,188)
Bank interest income	5	**(3,902)**	(3,301)
Depreciation	6	**17,012**	20,116
Amortisation of prepaid land lease payments	6	**562**	562
Recognition of deferred income	5	**(323)**	(323)
Gain on disposal of a subsidiary	5	**–**	(494)
Loss on disposal of items of property, plant and equipment, net	6	**370**	16
Write-off of items of property, plant and equipment	6	**227**	341
Fair value gains on investment properties, net	15	**(27,130)**	(48,616)
Fair value losses/(gains), net:			
Equity investments at fair value through profit or loss – held for trading	6	**(11)**	13,528
Structured deposits	5	**(5,683)**	(4,863)
Derivative instrument – transaction not qualifying as hedge	6	**1**	(131)
Impairment of an available-for-sale investment	20	**–**	5,000
Write-back of an amount due to an associate	5	**–**	(1,710)
Write down/(write-back) of inventories to net realisable value	6	**2,112**	(2,288)
Provision for impairment of trade receivables	6	**1,348**	2,507
Net pension benefit expenses	22	**163**	216
Equity-settled share option expense	37	**917**	2,758
		172,165	167,704
Decrease in inventories		**10,178**	12,256
Increase in trade and bills receivables		**(121,495)**	(73,212)
Increase in prepayments, deposits and other receivables		**(7,954)**	(4,880)
Increase in trade and bills payables		**29,601**	1,646
Increase in other payables and accruals		**1,780**	13,415
Exchange realignment		**702**	348
Cash generated from operations		**84,977**	117,277

Consolidated Statement of Cash Flows

Year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Cash generated from operations		**84,977**	117,277
Interest paid		**(3,931)**	(3,792)
Interest element of finance lease rental payments		**(12)**	(16)
Overseas taxes paid		**(29,381)**	(23,084)
Hong Kong profits tax paid		**(1,274)**	(1,905)
Net cash flows from operating activities		**50,379**	88,480
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(9,389)**	(13,428)
Proceeds from disposal of items of property, plant and equipment		**313**	118
Proceeds from sale of an equity investment at fair value through profit or loss		**323**	34
Additions to investment properties	15	**–**	(21,411)
Investments in structured deposits		**(656,764)**	(585,449)
Proceeds from structured deposits		**622,931**	499,921
Interest received		**3,902**	3,301
Dividend received from an associate		**–**	2,480
Proceeds from disposal of a subsidiary	39	**5,535**	2,372
Deposits paid for purchases of property, and plant and equipment	21	**(765)**	(20,763)
Increase in time deposits with original maturity of more than three months when acquired		**(64,010)**	(47,143)
Net cash flows used in investing activities		**(97,924)**	(179,968)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**354,609**	385,605
Repayment of bank loans		**(369,028)**	(331,478)
Dividend paid		**(22,661)**	(18,884)
Capital element of finance lease rental payments		**(244)**	(254)
Net cash flows from/(used in) financing activities		**(37,324)**	34,989

Consolidated Statement of Cash Flows

Year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(84,869)**	(56,499)
Cash and cash equivalents at beginning of year		**276,662**	324,639
Effect of foreign exchange rate changes, net		**(6,829)**	8,522
CASH AND CASH EQUIVALENTS AT END OF YEAR		**184,964**	276,662
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	28	**131,451**	258,885
Non-pledged/non-restricted time deposits	28	**92,055**	17,777
Cash and cash equivalents as stated in the consolidated statement of financial position		**223,506**	276,662
Pledged time deposits with original maturity of less than three months when acquired	28	**1,742**	–
Non-pledged time deposits with original maturity of more than three months when acquired		**(40,284)**	–
Cash and cash equivalents as stated in the consolidated statement of cash flows		**184,964**	276,662

Statement of Financial Position

31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**148**	166
Interests in subsidiaries	18	**386,459**	361,347
Due from subsidiaries	18	**203,674**	213,935
Total non-current assets		**590,281**	575,448
CURRENT ASSETS			
Prepayments, deposits and other receivables	25	**164**	230
Cash and cash equivalents	28	**16,129**	17,252
Total current assets		**16,293**	17,482
CURRENT LIABILITIES			
Other payables and accruals	30	**4,145**	4,029
Interest-bearing other borrowings	32	**12**	16
Total current liabilities		**4,157**	4,045
NET CURRENT ASSETS		**12,136**	13,437
TOTAL ASSETS LESS CURRENT LIABILITIES		**602,417**	588,885
NON-CURRENT LIABILITIES			
Interest-bearing other borrowings	32	**53**	8
Net assets		**602,364**	588,877
EQUITY			
Issued capital	36	**188,841**	188,841
Reserves	38(b)	**413,523**	400,036
Total equity		**602,364**	588,877

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 (including the investment in properties for rental income potential or for sale, and the proposed columbarium/residential property development in Hong Kong)

The subsidiaries of the Company were also involved in the provision of advertising services, and other trading and investment holding activities.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance relating to the preparation of financial statements, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. The financial statements have been prepared under the historical cost convention, except for investment properties, certain buildings classified as property, plant and equipment, structured deposits, a derivative financial instrument, an equity investment at fair value through profit or loss and net pension scheme assets, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand ("HK$'000") except when otherwise indicated.

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2014. 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 on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised standards and new interpretation for the first time for the current year's financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	*Investment Entities*
Amendments to HKAS 32	*Offsetting Financial Assets and Financial Liabilities*
Amendments to HKAS 36	*Recoverable Amount Disclosures for Non-Financial Assets*
Amendments to HKAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*
HK(IFRIC)-Int 21	*Levies*
Amendment to HKFRS 2 included in *Annual Improvements 2010-2012 Cycle*	*Definition of Vesting Condition*[1]
Amendment to HKFRS 3 included in *Annual Improvements 2010-2012 Cycle*	*Accounting for Contingent Consideration in a Business Combination*[1]
Amendment to HKFRS 13 included in *Annual Improvements 2010-2012 Cycle*	*Short-term Receivables and Payables*
Amendment to HKFRS 1 included in *Annual Improvements 2011-2013 Cycle*	*Meaning of Effective HKFRSs*

[1] Effective from 1 July 2014

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Except for the amendment to HKFRS 1 which is only relevant to an entity's first HKFRS financial statements, the nature and the impact of each amendment and interpretation is described below:

(a) Amendments to HKFRS 10 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 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 amendments have had no impact on the Group as the Company does not qualify as an investment entity as defined in HKFRS 10.

(b) The HKAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to set off" 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 have had no impact on the Group as the Group does not have any offsetting arrangement.

(c) The HKAS 36 Amendments remove the unintended disclosure requirement made by HKFRS 13 on the recoverable amount of a cash-generating unit which is not impaired. In addition, the amendments require the disclosure of the recoverable amounts for the assets or cash-generating units for which an impairment loss has been recognised or reversed during the reporting period, and expand the disclosure requirements regarding the fair value measurement for these assets or units if their recoverable amounts are based on fair value less costs of disposal. The amendments have had no impact on the financial position or performance of the Group.

(d) The HKAS 39 Amendments provide an exception to the requirement of discontinuing hedge accounting in situations where over-the-counter derivatives designated in hedging relationships are directly or indirectly, novated to a central counterparty as a consequence of laws or regulations, or the introduction of laws or regulations. For continuance of hedge accounting under this exception, all of the following criteria must be met: (i) the novations must arise as a consequence of laws or regulations, or the introduction of laws or regulations; (ii) the parties to the hedging instrument agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties; and (iii) the novations do not result in changes to the terms of the original derivative other than changes directly attributable to the change in counterparty to achieve clearing. The amendments have had no impact on the Group as the Group has not novated any derivatives during the current and prior years.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Except for the amendment to HKFRS 1 which is only relevant to an entity's first HKFRS financial statements, the nature and the impact of each amendment and interpretation is described below: (continued)

(e) HK(IFRIC)-Int 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognised before the specified minimum threshold is reached. The interpretation has had no impact on the Group as the Group applied, in prior years, the recognition principles under HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* which for the levies incurred by the Group are consistent with the requirements of HK(IFRIC)-Int 21.

(f) The HKFRS 2 Amendment clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including (i) a performance condition must contain a service condition; (ii) a performance target must be met while the counterparty is rendering service; (iii) a performance target may relate to the operations or activities of an entity, or to those of another entity in the same group; (iv) a performance condition may be a market or non-market condition; and (v) if the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied. The amendment has had no impact on the Group.

(g) The HKFRS 3 Amendment clarifies that contingent consideration arrangements arising from a business combination that are not classified as equity should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of HKFRS 9 or HKAS 39. The amendment has had no impact on the Group.

(h) The HKFRS 13 Amendment clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. The amendment has had no impact on the Group.

2.3 NEW AND REVISED HKFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED

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 9	*Financial Instruments*[4]
HKFRS 14	*Regulatory Deferral Accounts*[5]
HKFRS 15	*Revenue from Contracts with Customers*[3]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities – Applying the Consolidation Exception*[2]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[2]
Amendments to HKAS 1	*Disclosure Initiative*[2]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[2]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[2]
Amendments to HKAS 19	*Defined Benefit Plans: Employee Contributions*[1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[2]
Annual Improvements 2010-2012 Cycle	Amendments to a number of HKFRSs[1]
Annual Improvements 2011-2013 Cycle	Amendments to a number of HKFRSs[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs[2]

1 Effective for annual periods beginning on or after 1 July 2014
2 Effective for annual periods beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2017
4 Effective for annual periods beginning on or after 1 January 2018
5 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

In addition, the Hong Kong Companies Ordinance (Cap. 622) will affect the presentation and disclosure of certain information in the consolidated financial statements for the year ending 31 December 2015. The Group is in the process of making an assessment of the impact of these changes.

2.3 NEW AND REVISED HKFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED (continued)

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018. The Group expects that the adoption of HKFRS 9 will have an impact on the classification and measurement of the Group's financial assets. Further information about the impact will be available nearer the implementation date of the standard.

HKFRS 14 allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of HKFRSs. Entities that adopt HKFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss. The standard requires disclosures on the nature of, and risk associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. The standard is not expected to have impact on the Group as the Group is not a first time adopter of HKFRSs.

HKFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. The Group expects to adopt HKFRS 15 on 1 January 2017 and is currently assessing the impact of HKFRS 15 upon adoption.

The amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The Group expects to adopt the amendments from 1 January 2016.

2.3 NEW AND REVISED HKFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED (continued)

Further information about those HKFRSs that are expected to be applicable to the Group is as follows: (continued)

The amendments to HKFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. The amendments to HKFRS 10 also clarify that only a subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. Consequential amendments were made to HKFRS 12 to require an investment entity that prepares financial statements in which all of its subsidiaries are measured at fair value through profit or loss in accordance with HKFRS 9 to present the disclosures in respect of investment entities in accordance with HKFRS 12. HKAS 28 (2011) was also amended to allow an investor that is not itself an investment entity, and has an interest in an investment entity associate or joint venture, to retain the fair value measurement applied by the investment entity associate or joint venture to the interest in its subsidiaries. The Group expects to adopt the amendments from 1 January 2016.

The amendments to HKFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in HKFRS 3. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to HKFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016.

Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements in five areas, including materiality, disaggregation and subtotals, notes structure, disclosure of accounting policies and presentation of items of other comprehensive income arising from equity accounted investments. The amendments further encourage entities to apply professional judgement in determining what information to disclose and how to structure the disclosure in the financial statements. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016.

2.3 NEW AND REVISED HKFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED (continued)

Further information about those HKFRSs that are expected to be applicable to the Group is as follows: (continued)

Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

The HKAS 16 and HKAS 41 Amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will be within the scope of HKAS 16 instead of HKAS 41. After initial recognition, bearer plants will be measured under HKAS 16 at accumulated cost before maturity. After the bearer plants mature, they will be measured either using the cost model or revaluation model in accordance with HKAS 16. The amendments also require that produce growing on the bearer plants will remain in the scope of HKAS 41 and is measured at fair value less costs to sell. Government grants relating to bearer plants will now be accounted for in accordance with HKAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*. The amendments are not expected to have any impact on the Group as the Group does not have any bearer plants.

The HKAS 19 Amendments apply to contributions from employees or third parties to defined benefit plans. The amendments simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. If the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction of service cost in the period in which the related service is rendered. The Group expects to adopt the amendments from 1 January 2015.

The HKAS 27 (2011) Amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying HKFRSs and electing to change to the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements are required to apply the change retrospectively. The amendments will not be applicable to the Group's consolidated financial statements.

2.3 NEW AND REVISED HKFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED (continued)

Further information about those HKFRSs that are expected to be applicable to the Group is as follows: (continued)

The *Annual Improvements to HKFRSs 2010-2012 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Except for those described in note 2.2, the Group expects to adopt the amendments from 1 January 2015. None of the amendments are expected to have a significant financial impact on the Group. Details of the amendment most applicable to the Group are as follows:

- HKFRS 8 *Operating Segments*: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in HKFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker.

- HKAS 16 *Property, Plant and Equipment* and HKAS 38 *Intangible Assets*: Clarifies that an asset revaluation can be performed in one of the following ways:

  (i) adjusting the gross carrying amount of the asset to market value; or

  (ii) determining the market value of the carrying amount and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value

  In addition, it clarifies that the accumulated depreciation or amortisation is the difference between the gross carrying amount and the carrying amount of the asset.

- HKAS 24 *Related Party Disclosures*: Clarifies that a management entity (i.e., an entity that provides key management personnel services) is a related party subject to related party disclosure requirements. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

2.3 NEW AND REVISED HKFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED (continued)

Further information about those HKFRSs that are expected to be applicable to the Group is as follows: (continued)

The *Annual Improvements to HKFRSs 2011-2013 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. The Group expects to adopt the amendments from 1 January 2015. None of the amendments are expected to have a significant financial impact on the Group. Details of the amendments are as follows:

- HKFRS 3 *Business Combinations*: Clarifies that joint arrangements but not joint ventures are outside the scope of HKFRS 3 and the scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is to be applied prospectively.

- HKFRS 13 *Fair Value Measurement*: Clarifies that the portfolio exception in HKFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of HKFRS 9 or HKAS 39 as applicable. The amendment is to be applied prospectively from the beginning of the annual period in which HKFRS 13 was initially applied.

- HKAS 40 *Investment Property*: Clarifies that HKFRS 3, instead of the description of ancillary services in HKAS 40 which differentiates between investment property and owner-occupied property, is used to determine if the transaction is a purchase of an asset or a business combination. The amendment is to be applied prospectively for acquisitions of investment properties.

2.3 NEW AND REVISED HKFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED (continued)

Further information about those HKFRSs that are expected to be applicable to the Group is as follows: (continued)

The *Annual Improvements to HKFRSs 2012-2014 Cycle* issued in October 2014 sets out amendments to a number of HKFRSs. The Group expects to adopt the amendments from 1 January 2016. None of the amendments are expected to have a significant financial impact on the Group. Details of the amendments are as follows:

- HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*: Clarifies that changes to a plan of sale or a plan of distribution to owners should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. Accordingly, there is no change in the application of the requirements in HKFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification of the non-current assets or disposal group held for sale. The amendment is to be applied prospectively.

- HKFRS 7 *Financial Instruments*: *Disclosures*: Clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in HKFRS 7 in order to assess whether the HKFRS 7 disclosures are required.

- HKFRS 7 *Financial Instruments*: *Disclosures*: Clarifies that the disclosures in respect of the offsetting of financial assets and financial liabilities in HKFRS 7 are not required in the condensed interim financial statements, except where the disclosures provide a significant update to the information reported in the most recent annual report, in which case the disclosures should be included in the condensed interim financial statements.

- HKAS 19 *Employee Benefits*: Clarifies that market depth of high quality corporate bonds used for discounting the post-employment benefit obligation for defined benefit plans is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

- HKAS 34 *Interim Financial Reporting*: Clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report. The amendments also specify that the information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

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

Investments in associates

An associate is an 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. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

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 other comprehensive income of associates is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. 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 assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement

The Group measures its investment properties, structured deposits, derivative financial instrument and equity investment at fair value through profit or loss and net pension scheme assets at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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, net pension scheme assets, financial assets and investment properties), 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 of disposal, 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 statement of profit or loss 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 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 statement of profit or loss 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. 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 statement of profit or loss 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:

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 certain of the Group's leasehold land and buildings stated at valuation. As a result, those assets stated at revalued amounts based on revaluations which were reflected in the financial statements for periods ended before 30 September 1995 have not been further revalued after that date.

An item of property, plant and equipment 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 statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

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 statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss 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 dealt with as movements in the leasehold land and building revaluation reserve. 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 statement of profit or loss.

Properties under development

Properties under development are stated at the lower of cost and net realisable value. Cost includes all development expenditure, capitalised interest and other direct costs attributable to such properties.

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 statement of profit or loss 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 statement of profit or loss 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 statement of profit or loss 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 are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial investments, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, 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 other expenses in the statement of profit or loss. 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 as 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.

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 as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

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 statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement (continued)

Available-for-sale financial investments

Available-for-sale financial investments of the Group are non-derivative financial assets in unlisted equity investments. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as 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 statement of profit or loss, 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 statement of profit or loss. 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 statement of profit or loss 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, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

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 statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) 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 Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually 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.

The amount of any impairment loss identified 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).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. 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 the statement of profit or loss.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

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 statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

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. "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 statement of profit or loss – is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

Financial liabilities

Initial recognition and measurement

Financial liabilities of the Group are classified, at initial recognition, as financial liabilities at fair value through profit or loss and loans and borrowings, as appropriate.

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

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 repurchasing 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 statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss 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 statement of profit or loss 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 statement of profit or loss.

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 statement of profit or loss.

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.

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 assets when the fair value is positive and as liabilities when the fair value is negative.

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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

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

When the effect of discounting is material, the amount recognised for a provision is the present value at the 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 statement of profit or loss.

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 are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

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

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

- 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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.

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 expense item, it is recognised as income on a systematic basis over the period that the costs, which it is intended to compensate, are expensed. When the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

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

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

(b) from the rendering of services, in the period in which such services are rendered;

(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.

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 the binomial option pricing model or other appropriate pricing models, further details of which are given in note 37 to the financial statements.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefit expense. 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 statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments (continued)

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.

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 registered under the Occupational Retirement Schemes Ordinance for those employees who are eligible to participate in the Scheme. The cost of providing benefits under the defined benefit pension scheme is determined using the projected unit credit actuarial valuation method.

Remeasurements arising from defined benefit pension schemes, comprising actuarial gains and losses, the effect of the asset ceiling (excluding amounts included in net interest on the net pension scheme assets) and the return on scheme assets (excluding amounts included in net interest on the net pension scheme assets), are recognised immediately in the consolidated statement of financial position with a corresponding debit or credit to retained profits through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss at the earlier of:

- the date of the scheme amendment or curtailment; and

- the date that the Group recognises restructuring-related costs

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other employee benefits (continued)

Pension schemes and other retirement benefits (continued)

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under "administrative expenses" in the consolidated statement of profit or loss:

- service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements

- net interest expense or income

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 statement of profit or loss 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 a certain specific percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates 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 statement of profit or loss.

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 measured. 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).

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 statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and 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:

Operating lease commitments – Group as lessor

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

Classification between investment properties and owner-occupied properties

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

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

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

Deferred tax liabilities

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty

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

Estimation of fair value of investment properties

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

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

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

(c) the development potential of the properties by deducting development costs and profit element from the estimated gross development value of the properties.

The carrying amount of investment properties at 31 December 2014 was HK$401,980,000 (2013: HK$293,794,000). Further details, including the key assumptions used for fair value measurement, are given in note 15 to the financial statements.

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 2014 was HK$96,083,000 (2013: HK$96,083,000), net of impairment of HK$138,783,000 (2013: HK$138,783,000).

For the year ended 31 December 2013, an impairment loss of HK$5,000,000 was recognised for an available-for-sale investment.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

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.

Impairment of trade and bills receivables

The Group assesses at the end of each reporting period whether there is any objective evidence that a receivable is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

The Group maintains an allowance for the estimated loss arising from the inability of its debtors to make the required payments. The Group makes its estimates based on the aging of its receivable balances, debtors' creditworthiness, past payment history and historical write-off experience. If the financial condition of its debtors was to deteriorate so that the actual impairment loss might be higher than expected, the Group would be required to revise the basis of making the allowance.

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, commercial and industrial 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, provision of advertising services, other trading and investment holding.

The chief operating decision maker regularly reviews the operating results of its operating segments separatively 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 before tax except that interest income, net fair value gains on structured deposits, finance costs, as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude cash and cash equivalents, pledged deposits, restricted cash, 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 instrument, 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 2014	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	1,131,305	16,091	325,405	380	1,473,181
Intersegment sales	–	18,100	–	10,081	28,181
Other revenue and gains	7,020	27,285	5,286	152	39,743
	1,138,325	61,476	330,691	10,613	1,541,105
Reconciliation:					
Elimination of intersegment sales					(28,181)
Total					1,512,924
Segment results	122,005	54,559	11,157	3,223	190,944
Reconciliation:					
Elimination of intersegment results					(1,142)
Interest income					3,902
Fair value gains on structured deposits, net					5,683
Finance costs					(3,975)
Equity-settled share option expense					(917)
Corporate and other unallocated expenses					(10,919)
Profit before tax					183,576

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2014	Paint products HK$'000	Property investment HK$'000	Iron and steel trading HK$'000	Others HK$'000	Total HK$'000
Segment assets	729,483	563,751	68,814	96,592	1,458,640
Reconciliation:					
Elimination of intersegment receivables					(2,802)
Corporate and other unallocated assets					515,735
Total assets					1,971,573
Segment liabilities	357,384	8,791	7,060	567	373,802
Reconciliation:					
Elimination of intersegment payables					(2,802)
Corporate and other unallocated liabilities					256,738
Total liabilities					627,738

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2014	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	–	(1,444)	395	–	(1,049)
Interests in associates	–	2,423	15,493	–	17,916
Depreciation	13,767	3,147	9	1	16,924
Corporate and other unallocated					88
					17,012
Capital expenditure	9,984	135	–	18	10,137
Corporate and other unallocated					85
					10,222*
Fair value gains on investment properties	–	(27,130)	–	–	(27,130)
Fair value gains on an equity investment at fair value through profit or loss – held for trading	–	–	–	(11)	(11)
Recovery of amounts due from an associate previously written off	–	–	(4,611)	–	(4,611)
Provision for impairment of trade receivables	1,348	–	–	–	1,348
Write-down of inventories to net realisable value	2,112	–	–	–	2,112

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2013	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	1,100,700	8,563	343,353	–	1,452,616
Intersegment sales	–	14,435	–	6,983	21,418
Other revenue and gains	5,684	51,492	5,855	719	63,750
	1,106,384	74,490	349,208	7,702	1,537,784
Reconciliation:					
Elimination of intersegment sales					(21,418)
Total					1,516,366
Segment results	132,186	67,402	17,939	(18,880)	198,647
Reconciliation:					
Elimination of intersegment results					(1,018)
Interest income					3,301
Fair value gains on structured deposits					4,863
Finance costs					(3,810)
Equity-settled share option expense					(2,758)
Corporate and other unallocated expenses					(11,461)
Profit before tax					187,764

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2013	Paint products HK$'000	Property investment HK$'000	Iron and steel trading HK$'000	Others HK$'000	Total HK$'000
Segment assets	626,409	465,040	76,355	103,395	1,271,199
Reconciliation:					
Elimination of intersegment receivables					(3,792)
Corporate and other unallocated assets					502,535
Total assets					1,769,942
Segment liabilities	338,645	9,996	805	1,742	351,188
Reconciliation:					
Elimination of intersegment payables					(3,792)
Corporate and other unallocated liabilities					262,887
Total liabilities					610,283

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2013	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	–	(1,338)	(5,850)	–	(7,188)
Interests in associates	–	979	15,298	–	16,277
Depreciation	16,035	3,976	7	–	20,018
Corporate and other unallocated					98
					20,116
Capital expenditure	34,824	21,411	21	–	56,256
Corporate and other unallocated					7
					56,263*
Fair value gains on investment properties, net	–	(48,616)	–	–	(48,616)
Fair value losses on equity investments at fair value through profit or loss – held for trading, net	–	–	–	13,528	13,528
Impairment of an available-for-sale investment	–	–	–	5,000	5,000
Recovery of amounts due from an associate previously written off	–	–	(4,859)	–	(4,859)
Write-back of an amount due to an associate	–	(1,710)	–	–	(1,710)
Provision for impairment of trade receivables	2,507	–	–	–	2,507
Write-back of inventories to net realisable value	(2,288)	–	–	–	(2,288)

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

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	2014 HK$'000	2013 HK$'000
Hong Kong	**105,389**	101,070
Mainland China	**1,367,547**	1,351,201
Other countries	**245**	345
	1,473,181	1,452,616

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

(b) Non-current assets

	2014 HK$'000	2013 HK$'000
Hong Kong	**492,004**	400,431
Mainland China	**306,239**	310,578
Other countries	**–**	32
	798,243	711,041

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.

Information about a major customer

During the year ended 31 December 2014, revenue generated from one (2013: one) of the Group's customers in the iron and steel trading segment amounting to approximately HK$195,152,000 (2013: HK$203,829,000) individually accounted for over 10% of the Group's revenue.

5. REVENUE, OTHER INCOME AND GAINS, NET

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, net is as follows:

	2014	2013
	HK$'000	HK$'000
Revenue		
Sale of paint products and related services	**1,131,305**	1,100,700
Sale of iron and steel products	**325,405**	343,353
Sale of wine	**80**	–
Gross rental income from investment properties	**16,091**	8,563
Advertising services income	**300**	–
	1,473,181	1,452,616

5. REVENUE, OTHER INCOME AND GAINS, NET (continued)

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

	Notes	2014 HK$'000	2013 HK$'000
Other income			
Bank interest income		**3,902**	3,301
Government grants received from Mainland China authorities*		**2,789**	1,702
Commission income		**204**	570
Recognition of deferred income	35	**323**	323
Foreign exchange differences, net		**–**	1,382
Others		**4,675**	3,963
		11,893	11,241
Gains, net			
Fair value gains, net:			
Equity investment at fair value through profit or loss – held for trading		**11**	–
Structured deposits		**5,683**	4,863
Derivative instrument – transaction not qualifying as hedge		**–**	131
Recovery of amounts due from an associate previously written off		**4,611**	4,859
Write-back of an amount due to an associate		**–**	1,710
Gain on disposal of a subsidiary	39	**–**	494
		10,305	12,057
Total other income and gains, net		**22,198**	23,298

* Various government grants have been received from the PRC government authorities in recognition of the Group's efforts in technology development on paint products. There are no unfulfilled conditions or contingencies relating to these grants.

6. PROFIT BEFORE TAX

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

	Notes	**2014** **HK$'000**	2013 HK$'000
Cost of inventories sold		**1,053,182**	1,068,057
Cost of services provided		**135**	–
Depreciation	14	**17,012**	20,116
Minimum lease payments under operating leases in respect of land and buildings		**6,438**	6,410
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties		**907**	722
Auditors' remuneration:			
Audit related services		**3,014**	3,021
Other services		**1,011**	242
		4,025	3,263
Employee benefit expense (excluding directors' remuneration (note 8)):			
Wages, salaries, bonuses, allowances and welfare		**160,732**	143,670
Pension scheme contributions (defined contribution schemes)#		**9,389**	8,955
Net pension benefit expenses recognised (defined benefit schemes)	22	**163**	216
		170,284	152,841
Equity-settled share option expense	37	**917**	2,758
Wages, salaries, bonuses, allowances and welfare of pre-operating entities		**7,436**	3,302
		178,637	158,901

6. PROFIT BEFORE TAX (continued)

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

	Notes	2014 HK$'000	2013 HK$'000
Write-down/(write-back) of inventories to net realisable value		**2,112**	(2,288)
Provision for impairment of trade receivables	24	**1,348**	2,507
Fair value losses/(gains), net:			
Equity investments at fair value through profit or loss – held for trading*		**(11)**	13,528
Derivative instrument – transaction not qualifying as hedge*	31	**1**	(131)
Loss on disposal of items of property, plant and equipment, net*		**370**	16
Write-off of items of property, plant and equipment*	14	**227**	341
Amortisation of prepaid land lease payments	17	**562**	562

* These balances are included in "Other income and gains, net" for gains and "Other expenses, net" for losses in the consolidated statement of profit or loss.

\# At 31 December 2014 and 2013, the Group had no material forfeited contributions available to reduce its contributions to the retirement benefit schemes in future years.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Group 2014 HK$'000	Group 2013 HK$'000
Interest on:		
Bank loans wholly repayable within five years	**4,091**	3,747
Bank loans not wholly repayable within five years	**156**	486
Finance leases	**12**	16
Total interest expense on financial liabilities	**4,259**	4,249
Less: Interest capitalised*	**(284)**	(439)
	3,975	3,810

* During the year, the Group has capitalised borrowings costs amounting to HK$284,000 (2013: HK$439,000) on qualifying assets. Borrowing costs were capitalised at the weighted average rate of the corresponding borrowings of 7.4% (2013: 7.4%).

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and section 78 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), is as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Fees:		
Executive directors	**2,100**	2,100
Non-executive directors	**300**	300
Independent non-executive directors	**600**	600
	3,000	3,000
Other emoluments:		
Salaries, allowances and benefits in kind	**8,670**	8,807
Discretionary bonuses	**1,809**	1,485
Pension scheme contributions	**384**	380
Consultancy fee	**428**	340
	11,291	11,012
	14,291	14,012

(a) Independent non-executive directors

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

	2014	2013
	HK$'000	HK$'000
Sir David Akers-Jones	**200**	200
Steven Chow	**100**	100
Danny T Wong	**200**	200
Zhang Xiaojing	**100**	100
	600	600

There were no other emoluments payable to the independent non-executive directors during the year (2013: 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
2014						
Executive directors:						
Lam Ting Ball, Paul	860	2,160	175	17	–	3,212
Tsui Ho Chuen, Philip	880	5,536	1,278	350	–	8,044
Chong Chi Kwan	360	974	356	17	–	1,707
	2,100	8,670	1,809	384	–	12,963
Non-executive directors:						
Chan Wa Shek	100	–	–	–	428#	528
Zhang Yulin	100	–	–	–	–	100
Ko Sheung Chi	100	–	–	–	–	100
	300	–	–	–	428	728
	2,400	8,670	1,809	384	428	13,691

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
2013						
Executive directors:						
Lam Ting Ball, Paul	860	2,199	200	15	–	3,274
Tsui Ho Chuen, Philip	880	5,504	1,004	350	–	7,738
Tsui Yam Tong, Terry*	–	129	–	–	–	129
Chong Chi Kwan	360	975	281	15	–	1,631
	2,100	8,807	1,485	380	–	12,772
Non-executive directors:						
Chan Wa Shek	100	–	–	–	340#	440
Hung Ting Ho, Richard^	–	–	–	–	–	–
Zhang Yulin	100	–	–	–	–	100
Ko Sheung Chi	100	–	–	–	–	100
	300	–	–	–	340	640
	2,400	8,807	1,485	380	340	13,412

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2013: Nil).

* Mr. Tsui Yam Tong, Terry retired on 9 January 2013.

^ Mr. Hung Ting Ho, Richard retired on 5 June 2013.

\# 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 two directors (2013: two), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of three (2013: three) non-director and highest paid employees for the year are as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**7,452**	6,879
Discretionary bonuses	**1,880**	1,953
Pension scheme contributions	**116**	110
	9,448	8,942

The number of non-director and highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2014	2013
HK$2,000,001 to HK$2,500,000	**1**	1
HK$2,500,001 to HK$3,000,000	**–**	1
HK$3,000,001 to HK$3,500,000	**1**	–
HK$3,500,001 to HK$4,000,000	**1**	1
	3	3

10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 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.

All subsidiaries of the Group established in Mainland China are subject to the PRC corporate income tax at a standard rate of 25% (2013: 25%) during the year, except for a subsidiary of the Group which qualified as a PRC High and New Technology Enterprise in Mainland China and a lower PRC corporate income tax rate of 15% (2013: 15%) had been applied during the year.

	Group	
	2014	2013
	HK$'000	HK$'000
Current – Hong Kong		
Charge for the year	**3,495**	1,135
Overprovision in prior years	**(10)**	(10)
Current – Elsewhere		
Charge for the year	**29,725**	29,472
Underprovision/(overprovision) in prior years	**132**	(15,021)
Deferred (note 34)	**197**	8,866
Total tax charge for the year	**33,539**	24,442

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			
	2014		2013	
	HK$'000	**%**	HK$'000	%
Profit before tax	**183,576**		187,764	
Tax at the statutory tax rate	**30,290**	**16.5**	30,981	16.5
Different tax rates for specific provinces in the PRC, net	**(2,513)**	**(1.3)**	(2,335)	(1.3)
Adjustments in respect of current tax of previous periods	**122**	**–**	(15,031)	(8.0)
Profits attributable to associates	**(173)**	**–**	(1,186)	(0.6)
Income not subject to tax	**(6,060)**	**(3.3)**	(10,609)	(5.7)
Expenses not deductible for tax	**2,426**	**1.3**	10,327	5.5
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries	**6,276**	**3.4**	8,033	4.3
Tax losses utilised from previous periods	**(4,177)**	**(2.3)**	(2,639)	(1.4)
Tax losses not recognised	**7,348**	**4.0**	6,901	3.7
Tax charge at the Group's effective rate	**33,539**	**18.3**	24,442	13.0

The share of tax attributable to associates amounting to HK$285,000 (2013: HK$264,000) is included in "Share of profits and losses of associates" in the consolidated statement of profit or loss.

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

Of the Group's profit attributable to owners of the parent of HK$149,192,000 (2013: HK$163,302,000), a profit of HK$35,231,000 (2013: HK$65,802,000) has been dealt with in the financial statements of the Company (note 38(b)).

12. DIVIDEND

	2014 HK$'000	2013 HK$'000
Proposed final – HK1.2 cents (2013: HK1.2 cents) per ordinary share	**22,661**	22,661

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 2015.

At the annual general meeting held on 5 June 2014, the Company's shareholders approved the distribution of the final dividend for the year ended 31 December 2013 of HK1.2 cents per share which amounted to approximately HK$22,661,000.

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

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent of HK$149,192,000 (2013: HK$163,302,000), and the weighted average number of ordinary shares of 1,888,405,690 (2013: 1,888,405,690) in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2014 and 2013 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 ordinary shares of the Company during these years, and accordingly, the share options had no dilutive effect on the basic earnings per share amounts presented.

No other potentially dilutive ordinary shares existed during the years ended 31 December 2014 and 2013.

14. 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 2014							
At 31 December 2013 and at 1 January 2014:							
Cost or valuation	294,146	141,347	20,608	129,658	38,341	22,402	646,502
Accumulated depreciation and impairment	(137,892)	–	(18,750)	(120,722)	(29,575)	(17,799)	(324,738)
Net carrying amount	156,254	141,347	1,858	8,936	8,766	4,603	321,764
At 1 January 2014, net of accumulated depreciation and impairment	156,254	141,347	1,858	8,936	8,766	4,603	321,764
Additions	–	5,519	146	1,057	1,776	959	9,457
Disposals	–	–	–	(509)	(24)	(150)	(683)
Write-off (note 6)	–	–	(57)	(98)	(72)	–	(227)
Transfer from deposits for purchases of properties, and plant and equipment (note 21)	–	–	–	597	–	–	597
Transfer from investment properties (note 15)	15,200	–	–	–	–	–	15,200
Gains on revaluation on transfer to investment properties	74,115	–	–	–	–	–	74,115
Transfer to investment properties (note 15)	(97,640)	–	–	–	–	–	(97,640)
Depreciation provided during the year (note 6)	(9,391)	–	(759)	(2,410)	(3,041)	(1,411)	(17,012)
Transfers	89,556	(104,914)	–	15,358	–	–	–
Exchange realignment	(806)	(3,616)	(15)	(268)	(22)	(45)	(4,772)
At 31 December 2014, net of accumulated depreciation and impairment	227,288	38,336	1,173	22,663	7,383	3,956	300,799

14. 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 2014:							
Cost or valuation	361,550	38,336	18,932	138,505	38,549	21,211	617,083
Accumulated depreciation and impairment	(134,262)	–	(17,759)	(115,842)	(31,166)	(17,255)	(316,284)
Net carrying amount	227,288	38,336	1,173	22,663	7,383	3,956	300,799
Analysis of cost or valuation:							
At cost	202,090	38,336	18,932	138,505	38,549	21,211	457,623
At 31 December 1994 valuation	159,460	–	–	–	–	–	159,460
	361,550	38,336	18,932	138,505	38,549	21,211	617,083

14. 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 2013							
At 1 January 2013:							
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
At 1 January 2013, net of accumulated depreciation and impairment	176,836	131,307	2,281	10,170	8,178	3,052	331,824
Additions	–	5,929	965	434	3,823	2,938	14,089
Disposals	–	–	–	(95)	(28)	(11)	(134)
Write-off (note 6)	–	–	(44)	(94)	(202)	(1)	(341)
Transfer from deposits for purchases of properties, and plant and equipment (note 21)	–	–	–	1,218	–	320	1,538
Gain on revaluation on transfer to investment properties	31,592	–	–	–	–	–	31,592
Transfer to investment properties (note 15)	(42,720)	–	–	–	–	–	(42,720)
Depreciation provided during the year (note 6)	(10,587)	–	(1,385)	(3,052)	(3,354)	(1,738)	(20,116)
Exchange realignment	1,133	4,111	41	355	349	43	6,032
At 31 December 2013, net of accumulated depreciation and impairment	156,254	141,347	1,858	8,936	8,766	4,603	321,764

14. 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 2013:							
Cost or valuation	294,146	141,347	20,608	129,658	38,341	22,402	646,502
Accumulated depreciation and impairment	(137,892)	–	(18,750)	(120,722)	(29,575)	(17,799)	(324,738)
Net carrying amount	156,254	141,347	1,858	8,936	8,766	4,603	321,764
Analysis of cost or valuation:							
At cost	109,483	141,347	20,608	129,658	38,341	22,402	461,839
At 31 December 1994 valuation	184,663	–	–	–	–	–	184,663
	294,146	141,347	20,608	129,658	38,341	22,402	646,502

14. 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 2014				
At 31 December 2013 and at 1 January 2014:				
Cost	1,134	2,242	490	3,866
Accumulated depreciation	(1,133)	(2,115)	(452)	(3,700)
Net carrying amount	1	127	38	166
At 1 January 2014, net of accumulated depreciation	1	127	38	166
Additions	–	86	–	86
Disposals	–	(14)	–	(14)
Write-off	–	(2)	–	(2)
Depreciation provided during the year	(1)	(49)	(38)	(88)
At 31 December 2014, net of accumulated depreciation	–	148	–	148
At 31 December 2014:				
Cost	1,134	2,249	490	3,873
Accumulated depreciation	(1,134)	(2,101)	(490)	(3,725)
Net carrying amount	–	148	–	148

14. 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 2013				
At 1 January 2013:				
Cost	1,134	2,239	490	3,863
Accumulated depreciation	(1,130)	(2,061)	(414)	(3,605)
Net carrying amount	4	178	76	258
At 1 January 2013, net of accumulated depreciation	4	178	76	258
Additions	–	6	–	6
Depreciation provided during the year	(3)	(57)	(38)	(98)
At 31 December 2013, net of accumulated depreciation	1	127	38	166
At 31 December 2013:				
Cost	1,134	2,242	490	3,866
Accumulated depreciation	(1,133)	(2,115)	(452)	(3,700)
Net carrying amount	1	127	38	166

14. 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	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Furniture, fixtures and equipment	**103**	81	**66**	36
Motor vehicles	**367**	489	**–**	–
	470	570	**66**	36

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 2014 would have been HK$90,144,000 (2013: HK$105,956,000).

14. PROPERTY, PLANT AND EQUIPMENT (continued)

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

	Hong Kong HK$'000	Elsewhere HK$'000	Total HK$'000
At 31 December 2014			
Long term leases	**51,839**	**–**	**51,839**
Medium term leases	**54,759**	**120,690**	**175,449**
	106,598	**120,690**	**227,288**
At 31 December 2013			
Long term leases	37,910	–	37,910
Medium term leases	80,089	38,255	118,344
	117,999	38,255	156,254

At 31 December 2014, certain of the above land and buildings with an aggregate net carrying amount of HK$116,057,000 (2013: HK$131,693,000) were pledged to secure general banking facilities granted to the Group (note 32).

15. INVESTMENT PROPERTIES

		Group	
	Notes	**2014 HK$'000**	2013 HK$'000
Carrying amount at 1 January		**293,794**	166,451
Additions		**–**	21,411
Fair value gains, net		**27,130**	48,616
Transfer from owner-occupied properties	14	**97,640**	42,720
Transfer to owner-occupied property	14	**(15,200)**	–
Transfer from deposits for purchases of properties, and plant and equipment	21	**–**	13,019
Exchange realignment		**(1,384)**	1,577
Carrying amount at 31 December		**401,980**	293,794

15. INVESTMENT PROPERTIES (continued)

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

	Group	
	2014	2013
	HK$'000	HK$'000
Long term leases in Hong Kong	**117,100**	125,200
Medium term leases in:		
Hong Kong	**226,950**	110,920
Elsewhere	**57,930**	57,674
	284,880	168,594
	401,980	293,794

The Group's investment properties consist of commercial and industrial properties in Hong Kong and the PRC. The directors of the Company have determined that the investment properties consist of four classes of asset, i.e., commercial and industrial in Hong Kong and the PRC, based on the nature, characteristics and risks of each property. The Group's investment properties were revalued on 31 December 2014 based on valuations performed by BMI Appraisals Limited, an independent professionally qualified valuer. The Group's finance director selects an external valuer to be responsible for the external valuation of the Group's properties based on market knowledge, reputation and independence of the external valuer, and whether professional standards are maintained by the external valuer. Fair values of the Group's investment properties are generally derived by using the income capitalisation method. The Group's finance director has discussion with the external valuer on the valuation assumptions and valuation results when the valuation is performed for annual financial reporting.

The income capitalisation method is based on the capitalisation of the net income and reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of sales transactions and valuers' interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have been assessed with reference to recent lettings, within the subject properties and other comparable properties. Capitalisation rates are estimated by valuer based on the risk profile of the properties being valued.

15. INVESTMENT PROPERTIES (continued)

Fair value hierarchy

The following table illustrates how the fair values of the Group's investment properties are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Investment properties held by the Group	Fair value hierarchy	Valuation techniques	Significant unobservable inputs	Range 2014	Range 2013
Commercial properties in Hong Kong	Level 3	Income capitalisation	Prevailing market rents (per sq.ft. and per month)	HK$26 to HK$122	HK$24
			Capitalisation rates	2.8% to 3.1%	2.4% to 2.9%
Commercial properties in Mainland China	Level 3	Income capitalisation	Prevailing market rents (per sq.m. and per month)	RMB120 to RMB170	RMB115 to RMB170
			Capitalisation rates	4.2% to 4.5%	4.0% to 4.5%
Industrial properties in Hong Kong	Level 3	Income capitalisation	Prevailing market rents (per sq.ft. and per month)	HK$7 to HK$24	HK$6 to HK$20
			Capitalisation rates	3.5% to 8.6%	3.5% to 8.6%
Industrial property in Mainland China	Level 3	Income capitalisation	Prevailing market rents (per sq.m. and per month)	RMB12	RMB8 to RMB13
			Capitalisation rates	8%	7.7% to 8%

15. INVESTMENT PROPERTIES (continued)

Fair value hierarchy (continued)

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 (2013: Nil).

Under the income capitalisation method, a significant increase (decrease) in the prevailing market rents in isolation would result in a significant increase (decrease) in the fair value of the investment properties. A significant increase (decrease) in the capitalisation rate in isolation would result in a significant decrease (increase) in the fair value of the investment properties.

The reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy of each classes of asset is as follows:

	Commercial properties in Hong Kong HK$'000	Commercial properties in Mainland China HK$'000	Industrial properties in Hong Kong HK$'000	Industrial property in Mainland China HK$'000
Carrying amount at 1 January 2013	107,400	–	38,550	20,501
Additions	–	21,411	–	–
Fair value gains/(losses)	17,800	(243)	29,650	1,409
Transfer from owner-occupied property	–	–	42,720	–
Transfer from deposits for purchases of properties, and plant and equipment	–	13,019	–	–
Exchange realignment	–	945	–	632
Carrying amount at 31 December 2013 and 1 January 2014	**125,200**	**35,132**	**110,920**	**22,542**
Fair value gains	**11,500**	**865**	**13,990**	**775**
Transfer from owner-occupied properties	**24,500**	**–**	**73,140**	**–**
Transfer to owner-occupied property	**(15,200)**	**–**	**–**	**–**
Exchange realignment	**–**	**(829)**	**–**	**(555)**
Carrying amount at 31 December 2014	**146,000**	**35,168**	**198,050**	**22,762**

15. INVESTMENT PROPERTIES (continued)

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 43(a).

At 31 December 2014, certain of the Group's investment properties with an aggregate carrying value of HK$344,050,000 (2013: HK$236,120,000) were pledged to secure general banking facilities granted to the Group (note 32).

Further particulars of the Group's investment properties are included on pages 157 and 158.

16. PROPERTIES UNDER DEVELOPMENT

	Group	
	2014	2013
	HK$'000	HK$'000
Carrying amount at 1 January and at 31 December	**28,000**	28,000

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 2014 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 either the Town Planning Board or the Appeal Board Panel (Town Planning) of Hong Kong.

Further particulars of the Group's properties under development are included on page 159.

17. PREPAID LAND LEASE PAYMENTS

	Group	
	2014	2013
	HK$'000	HK$'000
Carrying amount at 1 January	**22,800**	22,672
Recognised during the year (note 6)	**(562)**	(562)
Exchange realignment	**(556)**	690
Carrying amount at 31 December	**21,682**	22,800

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.

18. INTERESTS IN SUBSIDIARIES

	Company	
	2014	2013
	HK$'000	HK$'000
Unlisted shares/investments, at cost	**218,366**	218,366
Loans to subsidiaries	**1,160,283**	1,173,862
Due to subsidiaries	**–**	(2,009)
	1,378,649	1,390,219
Impairment#	**(992,190)**	(1,028,872)
	386,459	361,347

As at 31 December 2014, an impairment was recognised for certain unlisted investments in and loans to subsidiaries with a total carrying amount of HK$1,378,649,000 (before deducting the impairment loss) (2013: HK$1,392,228,000) because the recoverable amounts thereof, based on their estimated future cash flows, reflecting changes in economic and business conditions, were lower than their carrying amounts.

The loans to subsidiaries are unsecured and interest-free, have no fixed terms of repayment, and are considered as part of the Company's investments in the subsidiaries in the opinion of the Company's directors. The amounts due to subsidiaries are unsecured, interest-free and are not repayable within one year from the end of the reporting period.

The amounts due from subsidiaries of HK$524,645,000 (2013: HK$532,067,000), before any provision for impairment, included in the Company's non-current assets are unsecured, interest-bearing 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. As at 31 December 2014, a provision for impairment of HK$320,971,000 (2013: HK$318,132,000) was recognised for these amounts due from subsidiaries and the movements in the provision for impairment are as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
At 1 January	**318,132**	326,409
Provision for the year	**25,454**	–
Reversal of provision for the year	**(22,615)**	(8,277)
At 31 December	**320,971**	318,132

Included in the above provision for impairment of amounts due from subsidiaries is a provision for individually impaired amounts due from subsidiaries of HK$320,971,000 (2013: HK$318,132,000) with a total carrying amount before provision of HK$524,645,000 (2013: HK$532,067,000). The individually impaired amounts due from subsidiaries relate to subsidiaries which have been making losses and had net deficiency in assets.

18. INTERESTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries as at 31 December 2014 are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
The China Paint Manufacturing Company (1932) Limited	Hong Kong	Ordinary HK$200,000 Non-voting deferred HK$1,761,300	–	100	Manufacture and sale of paint products and investment holding
The China Paint Manufacturing (Shenzhen) Co., Ltd. # *	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
AVANZAR Media Limited	Hong Kong	HK$2	–	100	Provision of advertising services and investment holding
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 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

18. INTERESTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries as at 31 December 2014 are as follows: (continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
CNT Iron And Steel Limited*	BVI	US$1,566,804	–	100	Investment holding
CNT Iron And Steel Trading Company Limited	Hong Kong	HK$2	–	100	Trading of iron and steel products
CNT-Jialing Investments Limited	Hong Kong	HK$10,000,000	100	–	Property investment
CNT Management and Secretaries Limited	Hong Kong	HK$2	100	–	Management and secretarial services
China Chemicals Group Limited (changed to CNT Resene Limited with effect from 14 October 2014)	Hong Kong	HK$2	–	100	Manufacture and sale of paint products
CNT Wine Trading Limited	Hong Kong	HK$1	–	100	Sale of wine
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
Giraffe Paint Mfg. Co., (Shanghai) Ltd.# *	PRC/ Mainland China	US$4,000,000	–	100	Not yet commenced operations

18. INTERESTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries as at 31 December 2014 are as follows: (continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Giraffe Paint Mfg. Co., (Xuzhou) Ltd.# *	PRC/ Mainland China	US$2,000,000	–	100	Manufacture and sale of solvents and paint products
廣州市維美雲石有限公司# *	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	Proposed columbarium/ residential property development
Majority Faith Corporation*	BVI	US$1	–	100	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

18. INTERESTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries as at 31 December 2014 are as follows: (continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Venture Decade Limited*	BVI	US$1	–	100	Investment holding
海諾威特種塗料(新豐)有限公司#*	PRC/ Mainland China	RMB5,000,000	–	100	Property investment
北海鋼鐵(深圳)有限公司#*	PRC/ Mainland China	RMB10,000,000	–	100	Trading of iron and steel products

* 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.

19. INTERESTS IN ASSOCIATES

	Group 2014 HK$'000	2013 HK$'000
Share of net assets	**17,916**	16,277

The amount due to an associate included in the Group's current liabilities as at 31 December 2014 of HK$2,550,000 (2013: HK$2,550,000) are unsecured, interest-free and repayable with not less than 30 days' prior written notice.

19. INTERESTS IN ASSOCIATES (continued)

Particulars of the principal associates are as follows:

Name	Particulars of issued shares held	Place of incorporation and business	Percentage of ownership interest attributable to the Group	Principal activities
Arran Investment Company, Limited #	Ordinary shares	Hong Kong	50	Property investment
CNT Tin Plate Limited #	Ordinary shares	Hong Kong	50	Investment holding

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

Arran Investment Company, Limited and CNT Tin Plate Limited were corporate associates indirectly held by the Company as at 31 December 2014. The financial year of CNT Tin Plate Limited is 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.

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

The Group has discontinued the recognition of its shares of losses of an associate, namely Gobi EcoTech Limited, because the share of losses of the associate exceeded the Group's interest in the associate and the Group has no obligation to take up further losses. The amounts of the Group's unrecognised share of losses of this associate for the current year and cumulatively were HK$40,000 (2013: gain of HK$309,000) and HK$40,000 (2013: Nil), respectively.

CNT Tin Plate Limited, which is considered a material associate of the Group principally engaged in investment holding, is accounted for using the equity method.

19. INTERESTS IN ASSOCIATES (continued)

The following table illustrates the summarised financial information in respect of CNT Tin Plate Limited adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2014	2013
	HK$'000	HK$'000
Current assets	**51**	49
Non-current assets	**73,807**	80,085
Current liabilities	**(331)**	(321)
Non-current liabilities	**(42,541)**	(49,217)
Net assets	**30,986**	30,596
Reconciliation to the Group's interest in the associate:		
Proportion of Group's ownership	**50%**	50%
Group's share of net assets of the associate	**15,493**	15,298
Carrying amount of the investment	**15,493**	15,298
Revenue	**–**	–
Profit/(loss) for the year	**(790)**	11,700
Other comprehensive income	**1,180**	117
Total comprehensive income for the year	**390**	11,817

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2014	2013
	HK$'000	HK$'000
Share of the associates' profit for the year	**1,444**	1,338
Share of the associates' total comprehensive income	**1,444**	1,338
Dividends declared by the associates during the year	**–**	2,480
Aggregate carrying amount of the Group's investments in the associates	**2,423**	979

20. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2014	2013
	HK$'000	HK$'000
Unlisted equity investments, at cost	**234,866**	234,866
Impairment	**(138,783)**	(138,783)
	96,083	96,083

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$138,783,000 (2013: HK$138,783,000) with an aggregate carrying amount before provision of HK$234,866,000 (2013: HK$234,866,000). 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 2013, an impairment loss of HK$5,000,000 was recognised for an available-for-sale investment with a carrying amount (before the provision) of HK$5,000,000.

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 near future.

21. DEPOSITS FOR PURCHASES OF PROPERTIES, AND PLANT AND EQUIPMENT

	Group	
	2014	2013
	HK$'000	HK$'000
Carrying amount at 1 January	**28,406**	21,635
Transfer to property, plant and equipment (note 14)	**(597)**	(1,538)
Transfer to investment properties (note 15)	**–**	(13,019)
Additions	**765**	20,763
Exchange realignment	**(708)**	565
Carrying amount at 31 December	**27,866**	28,406

As at 31 December 2014, the carrying amount represented deposits paid for the purchases of a parcel of land in Xinfeng, Guangdong Province, the PRC, residential properties in Shenzhen, the PRC, machinery, and equipment for the Group's paint operation.

22. NET PENSION SCHEME ASSETS

The Group operates a funded defined benefit scheme for all its qualifying employees in Hong Kong. Under the scheme, the employees are entitled to retirement benefits at 70% of their final monthly salaries multiplied by their respective number of past service years plus 70% of their final monthly salaries multiplied by their respective number of past scheme service years on attainment of a retirement age of 65.

The Group's defined benefit scheme is a final salary plan, which requires contributions to be made to a separately administered fund. The scheme has the legal form of a foundation and it is administrated by an independent trustee with the assets held separately from those of the Group. The trustee is responsible for the determination of the investment strategy of the scheme.

The trustee reviews the level of funding in the scheme by the end of each reporting period. Such a review includes the asset-liability matching strategy and investment risk management policy. The trustee decides the contribution based on the results of the annual review. The investment portfolio targets a mix of 55% to 85% global equities and 15% to 45% in global bonds and deposits.

The scheme is exposed to interest rate risk, the risk of changes in the life expectancy for pensioners and equity market risk.

The most recent actuarial valuations of the scheme assets and the present value of the defined benefit obligations were carried out at 31 December 2014 by Grant Sherman Appraisal Limited, independent professional actuarial advisor, using the projected unit credit actuarial valuation method.

22. NET PENSION SCHEME ASSETS (continued)

The principal actuarial assumptions used as at the end of the reporting period are as follows:

	2014	2013
Discount rate	**2.0%**	2.3%
Expected rate of salary increases	**2.5%**	2.5%

The actuarial valuation showed that the market value of scheme assets was HK$9,715,000 (2013: HK$9,915,000) and that the actuarial value of these assets represented 142% (2013: 150%) of the benefits that had accrued to qualifying employees.

A quantitative sensitivity analysis for significant assumptions as at the end of the reporting periods is shown below:

	Increase in rate %	Increase/ (decrease) in net pension scheme assets HK$'000	Decrease in rate %	Increase/ (decrease) in net pension scheme assets HK$'000
2014				
Discount rate	**5**	**60**	**(5)**	**(61)**
Future salary increase	**5**	**(84)**	**(5)**	**83**
2013				
Discount rate	5	73	(5)	(75)
Future salary increase	5	(84)	(5)	81

The sensitivity analyses above have been determined based on a method that extrapolates the impact on net pension scheme assets as a result of reasonable changes in key assumptions occurring at the end of the reporting period. It is based on the assumption that changes in actuarial assumptions are not correlated and therefore it does not take into account the correlations between the actual assumptions.

22. NET PENSION SCHEME ASSETS (continued)

The total expenses recognised in the consolidated statement of profit or loss in respect of the scheme are as follows:

	2014 HK$'000	2013 HK$'000
Current service cost	**241**	227
Interest cost	**(78)**	(11)
Net pension benefit expenses recognised in administrative expenses	**163**	216

The movements in the present value of the defined benefit obligations are as follows:

	2014 HK$'000	2013 HK$'000
At 1 January	**6,618**	7,480
Current service cost	**241**	227
Interest cost	**154**	49
Remeasurements:		
– Actuarial gains arising from changes in demographic assumptions	**(20)**	(13)
– Actuarial (gains)/losses arising from changes in financial assumptions	**289**	(1,198)
– Experience adjustments	**(76)**	73
Benefit paid	**(344)**	–
At 31 December	**6,862**	6,618

22. NET PENSION SCHEME ASSETS (continued)

The movements in the defined benefit obligations and the fair value of plan assets are as follows:

2014

		Pension cost credited/ (charged) to profit or loss				Remeasurement gains/(losses) in other comprehensive income					
	1 January 2014 HK$'000	Service cost HK$'000	Net interest expense HK$'000	Sub-total included in profit or loss HK$'000	Benefit paid HK$'000	Return on scheme assets (excluding amounts included in net interest expense) HK$'000	Actuarial changes arising from changes in demographic assumptions HK$'000	Actuarial changes arising from changes in financial assumptions HK$'000	Experience adjustments HK$'000	Sub-total included in other comprehensive income HK$'000	31 December 2014 HK$'000
Fair value of scheme assets	9,915	-	232	232	(344)	(88)	-	-	-	(88)	9,715
Defined benefit obligations	(6,618)	(241)	(154)	(395)	344	-	20	(289)	76	(193)	(6,862)
Net pension scheme assets	3,297	(241)	78	(163)	-	(88)	20	(289)	76	(281)	2,853

2013

		Pension cost credited/ (charged) to profit or loss				Remeasurement gains/(losses) in other comprehensive income					
	1 January 2013 HK$'000	Service cost HK$'000	Net interest expense HK$'000	Sub-total included in profit or loss HK$'000	Benefit paid HK$'000	Return on scheme assets (excluding amounts included in net interest expense) HK$'000	Actuarial changes arising from changes in demographic assumptions HK$'000	Actuarial changes arising from changes in financial assumptions HK$'000	Experience adjustments HK$'000	Sub-total included in other comprehensive income HK$'000	31 December 2013 HK$'000
Fair value of scheme assets	8,939	-	60	60	-	916	-	-	-	916	9,915
Defined benefit obligations	(7,480)	(227)	(49)	(276)	-	-	13	1,198	(73)	1,138	(6,618)
Net pension scheme assets	1,459	(227)	11	(216)	-	916	13	1,198	(73)	2,054	3,297

22. NET PENSION SCHEME ASSETS (continued)

The Group did not pay any contribution to the defined benefit pension scheme during the years ended 31 December 2013 and 2014, and does not expect to pay any contribution in the future years.

The major categories of the fair value of the total scheme assets are as follows:

	2014 HK$'000	2013 HK$'000
Equities, quoted in active market	**7,364**	7,724
Bonds	**1,788**	1,973
Money market instruments	**563**	218
	9,715	9,915

The weighted average duration of the defined benefit obligations at the end of the reporting period is 10 years (2013: 11 years).

23. INVENTORIES

	Group	
	2014 HK$'000	2013 HK$'000
Raw materials and spare parts	**44,640**	56,487
Work in progress	**6,278**	6,204
Finished goods	**23,495**	25,852
	74,413	88,543

24. TRADE AND BILLS RECEIVABLES

	Group	
	2014	2013
	HK$'000	HK$'000
Trade and bills receivables	**456,253**	341,308
Impairment	**(13,481)**	(12,439)
	442,772	328,869

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance may require. 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 as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Within three months	**373,830**	298,456
Over three months and within six months	**55,057**	22,944
Over six months	**13,885**	7,469
	442,772	328,869

24. TRADE AND BILLS RECEIVABLES (continued)

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

		Group	
		2014	2013
	Note	**HK$'000**	HK$'000
At 1 January		**12,439**	9,819
Impairment losses recognised	6	**1,348**	2,507
Write-off		**–**	(189)
Exchange realignment		**(306)**	302
At 31 December		**13,481**	12,439

Included in the above provision for impairment of trade and bills receivables is a provision for individually impaired trade receivables of HK$13,481,000 (2013: HK$12,439,000) with aggregate carrying amount before provision of HK$18,236,000 (2013: HK$18,956,000).

The individually impaired trade receivables are related to customers that were in financial difficulties or were in default in payment and only a portion of the receivables is 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	
	2014	2013
	HK$'000	HK$'000
Neither past due nor impaired	**264,235**	251,630
Within three months past due	**133,629**	59,747
Over three months and within six months past due	**30,382**	7,701
Over six months past due	**9,771**	3,274
	438,017	322,352

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.

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Prepayments	**4,646**	3,742	**22**	35
Services contract costs incurred plus recognised profits	**–**	1,088	**–**	–
Deposits and other receivables	**41,360**	39,490	**142**	195
	46,006	44,320	**164**	230
Impairment	**(1,366)**	(1,366)	**–**	–
	44,640	42,954	**164**	230

Included in the above provision for impairment is a provision for an individually impaired other receivable of HK$1,366,000 (2013: HK$1,366,000), with a carrying amount before provision of HK$1,366,000 (2013: HK$1,366,000). The Company's directors considered that the individual impaired balance had been outstanding for some time and was 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.

26. EQUITY INVESTMENT AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2014	2013
	HK$'000	HK$'000
Listed equity investment in Hong Kong, at market value:		
	–	312

The above equity investment at 31 December 2013 was classified as held for trading by the Group.

27. STRUCTURED DEPOSITS

Structured deposits were stated at fair value and represented several wealth management products issued by banks. As at 31 December 2014, the aggregate principal of deposits was fully guaranteed by the banks while the rates of return were not guaranteed. 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 either matured or early redeemed as of the approval date of these financial statements.

28. CASH AND CASH EQUIVALENTS, PLEDGED DEPOSITS AND RESTRICTED CASH

		Group		Company	
		2014	2013	**2014**	2013
	Notes	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Cash and bank balances		**131,451**	258,885	**3,086**	17,252
Time deposits:					
– with original maturity of less than three months when acquired		**53,513**	17,777	**13,043**	–
– with original maturity of more than three months when acquired		**115,242**	51,232	**–**	–
		300,206	327,894	**16,129**	17,252
Less: Pledged time deposits for bills payable – with original maturity of less than three months when acquired	29	**(1,742)**	–	**–**	–
Time deposits restricted for a short term banking facility – with original maturity of more than three months when acquired	32(c)	**(74,958)**	(51,232)	**–**	–
Cash and cash equivalents		**223,506**	276,662	**16,129**	17,252

28. CASH AND CASH EQUIVALENTS, PLEDGED DEPOSITS AND RESTRICTED CASH (continued)

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$277,477,000 (2013: HK$277,473,000). 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.

29. TRADE AND BILLS PAYABLES

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

	Group	
	2014	2013
	HK$'000	HK$'000
Within three months	**201,908**	170,817
Over three months and within six months	**–**	5,654
Over six months	**8**	–
	201,916	176,471

The trade payables are unsecured, non-interest-bearing and are normally settled within two months. As at 31 December 2014, bills payable with an aggregate carrying amount of HK$5,806,000 (2013: Nil) were secured by time deposits of HK$1,742,000 (2013: Nil).

30. OTHER PAYABLES AND ACCRUALS

		Group		Company	
		2014	2013	**2014**	2013
	Note	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Deferred income	35	**333**	341	**–**	–
Other payables		**36,334**	41,616	**48**	219
Accruals and receipts in advance		**130,773**	126,799	**4,097**	3,810
		167,440	168,756	**4,145**	4,029

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

31. DERIVATIVE FINANCIAL INSTRUMENT

	Group	
	2014	2013
	HK$'000	HK$'000
Interest rate swap contract – liability	**16**	15

The Group entered into an interest rate swap contract with a notional amount of HK$20,000,000 (2013: HK$30,000,000) to manage its exposure to movements in interest rates in relation to the Group's floating rate term loans.

The contract is classified as a derivative held for trading as it is not designated as an effective hedging instrument as defined by HKAS 39, and is measured at fair value through profits of loss. The aggregate fair value loss of the non-hedging derivative amounting to HK$1,000 was charged (2013: gain of HK$131,000 was credited) to the consolidated statement of profit or loss during the year ended 31 December 2014.

32. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2014			2013		
	Effective interest rate per annum (%)	**Maturity**	**HK$'000**	Effective interest rate per annum (%)	Maturity	HK$'000
Group						
Current						
Finance lease payables (note 33)	**1.6 – 4.7**	**2015**	**201**	1.6 – 6.2	2014	233
Bank loans – secured	**1.2 – 3.4**	**2015**	**141,755**	1.2 – 7.4	2014	137,073
Import loans – secured	**1.3 – 1.9**	**2015**	**25,255**	1.3 – 1.9	2014	44,010
Import loans – unsecured	**1.3**	**2015**	**5,324**	N/A	N/A	–
			172,535			181,316
Non-current						
Finance lease payables (note 33)	**4.7**	**2016 – 2019**	**74**	1.6	2015 – 2018	218
Bank loans – secured	**1.2 – 1.7**	**2016 – 2020**	**21,938**	1.2 – 1.7	2015 – 2020	27,691
			22,012			27,909
			194,547			209,225
Company						
Current						
Finance lease payables (note 33)	**4.7**	**2015**	**12**	6.2	2014	16
Non-current						
Finance lease payables (note 33)	**4.7**	**2016 – 2019**	**53**	6.2	2016	8
			65			24

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

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Analysed into:				
Bank loans and import loans repayable:				
Within one year or on demand	**172,334**	181,083	–	–
In the second year	**5,846**	5,761	–	–
In the third to fifth years, inclusive	**15,082**	17,651	–	–
Beyond five years	**1,010**	4,279	–	–
	194,272	208,774	–	–
Other borrowings repayable:				
Within one year or on demand	**201**	233	12	16
In the second year	**23**	193	13	5
In the third to fifth years, inclusive	**51**	25	40	3
	275	451	65	24
	194,547	209,225	65	24

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$116,057,000 (2013: HK$131,693,000) (note 14); and

(ii) the Group's investment properties with an aggregate carrying value at the end of the reporting period of HK$344,050,000 (2013: HK$236,120,000) (note 15).

(b) Included in the Group's interest-bearing bank and other borrowings as at 31 December 2014 are borrowings with a carrying amount of HK$27,066,000 (2013: HK$5,397,000 and HK$40,972,000) which is denominated in United States dollars ("US$") (2013: RMB and US$). All other borrowings of the Group are denominated in Hong Kong dollars.

(c) At the end of the reporting period, the Group had approximately HK$74,958,000 (2013: HK$51,232,000) of time deposits maintained at a bank to cover a banking facility which was restricted as to use (note 28).

33. FINANCE LEASE PAYABLES

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

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

	Minimum lease payments		Present value of minimum lease payments	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Group				
Amounts payable:				
Within one year	**206**	244	**201**	233
In the second year	**25**	196	**23**	193
In the third to fifth years, inclusive	**54**	25	**51**	25
Total minimum finance lease payments	**285**	465	**275**	451
Future finance charges	**(10)**	(14)		
Total net finance lease payables	**275**	451		
Portion classified as current liabilities (note 32)	**(201)**	(233)		
Non-current portion (note 32)	**74**	218		

33. FINANCE LEASE PAYABLES (continued)

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

	Minimum lease payments		Present value of minimum lease payments	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Company				
Amounts payable:				
Within one year	**15**	16	**12**	16
In the second year	**15**	5	**13**	5
In the third to fifth years, inclusive	**42**	3	**40**	3
Total minimum finance lease payments	**72**	24	**65**	24
Future finance charges	**(7)**	–		
Total net finance lease payables	**65**	24		
Portion classified as current liabilities (note 32)	**(12)**	(16)		
Non-current portion (note 32)	**53**	8		

34. DEFERRED TAX

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

Group

Deferred tax liabilities

	Depreciation allowance in excess of related depreciation		Revaluation of properties		Withholding taxes		Total	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At 1 January	**4,138**	4,299	**6,247**	6,247	**24,303**	16,270	**34,688**	26,816
Deferred tax charged/(credited) to the statement of profit or loss during the year (note 10)	**(182)**	(161)	**–**	–	**6,276**	8,033	**6,094**	7,872
Gross deferred tax liabilities recognised in the consolidated statement of financial position at 31 December	**3,956**	4,138	**6,247**	6,247	**30,579**	24,303	**40,782**	34,688

34. DEFERRED TAX (continued)

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

Group

Deferred tax assets

	Losses available for offsetting against future taxable profits		Depreciation in excess of related depreciation allowance		Accruals		Total	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At 1 January	**246**	–	**2,490**	3,483	**836**	1,002	**3,572**	4,485
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 10)	**(2)**	246	**458**	(1,057)	**5,441**	(183)	**5,897**	(994)
Exchange realignment	**–**	–	**(61)**	64	**(82)**	17	**(143)**	81
Gross deferred tax assets recognised in the consolidated statement of financial position at 31 December	**244**	246	**2,887**	2,490	**6,195**	836	**9,326**	3,572

The Group has estimated tax losses arising in Hong Kong of HK$1,004,563,000 (2013: HK$996,605,000), 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 (2013: Nil) for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of the losses arising in Hong Kong as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable 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.

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

35. DEFERRED INCOME

		Group	
		2014	2013
	Notes	**HK$'000**	HK$'000
At 1 January		**4,017**	4,216
Recognised during the year	5	**(323)**	(323)
Exchange realignment		**(96)**	124
At 31 December		**3,598**	4,017
Portion classified as current liabilities	30	**(333)**	(341)
Non-current portion		**3,265**	3,676

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 statement of profit or loss over the weighted average useful life of the buildings and plant and machinery of the Xuzhou Subsidiary whose construction was financed by the Construction Loan.

36. SHARE CAPITAL

Shares

	2014 HK$'000	2013 HK$'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 (2013: 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 2014 and 2013.

Share options

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

37. 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, and vested 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 vested on 27 May 2013 and 20% of the share options vested 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.

For the share options granted on 27 May 2010, none of them were exercised or cancelled (2013: Nil), and 15,280,000 (2013: Nil) share options were lapsed automatically when a grantee ceased to be an employee of the Group during the year ended 31 December 2014.

37. SHARE OPTION SCHEMES (continued)

The 2002 Scheme (continued)

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$917,000 during the year ended 31 December 2014 (2013: HK$2,758,000).

At the end of the reporting period, the Company had 137,520,000 (2013: 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 additional ordinary shares of the Company and additional share capital of HK$13,752,000 (2013: HK$15,280,000) and share premium of HK$46,756,800 (2013: 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.

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 a resolution in a general meeting or by the board of directors, the 2012 Scheme remains 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. During the years ended 31 December 2014 and 2013, no share options were granted under the 2012 Scheme.

38. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the years ended 31 December 2013 and 2014 are presented in the consolidated statement of changes in equity on pages 34 and 35 of the financial statements.

38. RESERVES (continued)

(b) Company

	Share premium account HK$'000	Share option reserve# HK$'000	Contributed surplus* HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2013	81,145	22,627	389,656	(143,068)	350,360
Total comprehensive income for the year (note 11)	–	–	–	65,802	65,802
Equity-settled share option arrangement (note 37)	–	2,758	–	–	2,758
Final 2012 dividend declared and paid	–	–	(18,884)	–	(18,884)
At 31 December 2013 and 1 January 2014	**81,145**	**25,385**	**370,772**	**(77,266)**	**400,036**
Total comprehensive income for the year (note 11)	**–**	**–**	**–**	**35,231**	**35,231**
Equity-settled share option arrangement (note 37)	**–**	**917**	**–**	**–**	**917**
Transfer of share option reserve upon the lapse of share options	**–**	**(2,630)**	**–**	**2,630**	**–**
Final 2013 dividend declared and paid	**–**	**–**	**(22,661)**	**–**	**(22,661)**
At 31 December 2014	**81,145**	**23,672**	**348,111**	**(39,405)**	**413,523**

* 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 or accumulated losses should the related options expire or be forfeited/lapsed.

39. DISPOSAL OF A SUBSIDIARY

During the year ended 31 December 2013, the Group disposed of its entire equity interest in a subsidiary, which was principally engaged in securities investment, to an independent third party for a total consideration of HK$7,907,000.

	Note	2013 HK$'000
Net assets disposed of:		
An equity investment at fair value through profit or loss		7,413
Gain on disposal of a subsidiary recognised in other income and gains, net	5	494
		7,907
Satisfied by:		
Cash		2,372
Other receivable*		5,535
		7,907

* The consideration receivable from the acquirer of HK$5,535,000 was fully settled by cash on 3 March 2014.

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

	2013 HK$'000
Cash consideration received and net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	2,372

40. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Major non-cash transactions

(a) During the year ended 31 December 2014, the Group entered into finance lease arrangements in respect of property, plant and equipment which a total capital value at the inception of the leases of HK$68,000 (2013: HK$661,000).

(b) During the year ended 31 December 2014, the Group completed the acquisition of certain items of property, plant and equipment, the consideration of which was partially settled by deposits previously paid with an aggregate carrying amount of HK$597,000 (2013: HK$1,538,000).

(c) During the year ended 31 December 2013, the Group completed the acquisition of certain investment properties, the consideration of which was partially settled by deposits previously paid with an aggregate carrying amount of HK$13,019,000.

41. CONTINGENT LIABILITIES

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

	Company	
	2014	2013
	HK$'000	HK$'000
Guarantees given to banks in connection with facilities granted to subsidiaries	**495,639**	381,160

As at 31 December 2014, the banking facilities granted to subsidiaries subject to guarantees given to banks by the Company were utilised to the extent of approximately HK$200,078,000 (2013: HK$203,377,000).

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

42. PLEDGE OF ASSETS

Details of the Group's bills payable, and bank loans and other borrowings secured by certain assets of the Group are included in notes 29 and 32 to these financial statements.

43. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 15) 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 2014, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Within one year	**11,239**	8,735
In the second to fifth years, inclusive	**8,036**	10,826
	19,275	19,561

(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 five years.

At 31 December 2014, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Within one year	**1,657**	3,771
In the second to fifth years, inclusive	**1,300**	2,228
	2,957	5,999

At the end of the reporting period, the Company had no significant future minimum lease receivables or payments under non-cancelable operating leases.

44. CAPITAL COMMITMENTS

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

	Group	
	2014	2013
	HK$'000	HK$'000
Contracted, but not provided for:		
Purchases of land use rights*	**1,951**	2,000
Construction and purchases of items of property, plant and equipment	**7,523**	11,944
	9,474	13,944

* 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 (2013: RMB6,658,000) had been paid by the Group as at 31 December 2014.

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

45. 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) Outstanding balances with related parties

Details of the Group's balances with its associates as at the end of the reporting period are disclosed in note 19 to the financial statements.

(b) Compensation of key management personnel of the Group

	2014	2013
	HK$'000	HK$'000
Short term employee benefits	**12,579**	12,392
Post-employment benefits	**384**	380
Total compensation paid/payable to key management personnel	**12,963**	12,772

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

The related party transactions above do not constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

46. FINANCIAL INSTRUMENTS BY CATEGORY

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

Group

2014

Financial assets

	Financial assets designated upon initial recognition at fair value through profit or loss HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Available-for-sale investments	–	–	96,083	96,083
Trade and bills receivables	–	442,772	–	442,772
Financial assets included in prepayments, deposits and other receivables	–	39,994	–	39,994
Structured deposits	203,037	–	–	203,037
Pledged deposits	–	1,742	–	1,742
Restricted cash	–	74,958	–	74,958
Cash and cash equivalents	–	223,506	–	223,506
	203,037	782,972	96,083	1,082,092

46. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

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

Group (continued)

2014 (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 an associate	–	2,550	2,550
Trade and bills payables	–	201,916	201,916
Financial liabilities included in other payables and accruals	–	36,334	36,334
Derivative financial instrument	16	–	16
Interest-bearing bank and other borrowings	–	194,547	194,547
	16	435,347	435,363

46. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

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

Group (continued)

2013

Financial assets

	Financial assets at fair value through profit or loss				
	Designated as such upon initial recognition HK$'000	Held for trading HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Available-for-sale investments	–	–	–	96,083	96,083
Trade and bills receivables	–	–	328,869	–	328,869
Financial assets included in prepayments, deposits and other receivables	–	–	38,124	–	38,124
Equity investment at fair value through profit or loss	–	312	–	–	312
Structured deposits	167,377	–	–	–	167,377
Restricted cash	–	–	51,232	–	51,232
Cash and cash equivalents	–	–	276,662	–	276,662
	167,377	312	694,887	96,083	958,659

46. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

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

Group (continued)

2013 (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 an associate	–	2,550	2,550
Trade and bills payables	–	176,471	176,471
Financial liabilities included in other payables and accruals	–	41,616	41,616
Derivative financial instrument	15	–	15
Interest-bearing bank and other borrowings	–	209,225	209,225
	15	429,862	429,877

46. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

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

Company

Financial assets

	Loans and receivables	
	2014	2013
	HK$'000	HK$'000
Due from subsidiaries (note 18)	**203,674**	213,935
Financial assets included in prepayments, deposits and other receivables	**142**	195
Cash and cash equivalents	**16,129**	17,252
	219,945	231,382

Financial liabilities

	Financial liabilities at amortised cost	
	2014	2013
	HK$'000	HK$'000
Due to subsidiaries (note 18)	**–**	2,009
Financial liabilities included in other payables and accruals	**48**	219
Interest-bearing other borrowings	**65**	24
	113	2,252

47. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's and the Company's financial instruments, other than those with carrying amounts that reasonably approximate to fair values and available-for-sale investments (further details of which are set out in note 20 of the financial statements), are as follows:

Group

	Carrying amounts		Fair values	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Equity investment at fair value through profit or loss	**–**	312	**–**	312
Structured deposits	**203,037**	167,377	**203,037**	167,377
	203,037	167,689	**203,037**	167,689
Financial liabilities				
Derivative financial instrument	**16**	15	**16**	15
Interest-bearing bank and other borrowings	**194,547**	209,225	**194,389**	209,031
	194,563	209,240	**194,405**	209,046

Company

	Carrying amounts		Fair values	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial asset				
Due from subsidiaries	**203,674**	213,935	**193,975**	203,748
Financial liabilities				
Interest-bearing other borrowings	**65**	24	**64**	24
Due to subsidiaries	**–**	2,009	**–**	1,913
	65	2,033	**64**	1,937

47. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, restricted cash, 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, and an amount due to an associate approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance director is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, the finance director analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The audit committee reviews the results of the fair value measurement of financial instruments periodically for interim and annual financial reporting.

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 value of the non-current portion of interest-bearing bank and other borrowings and balances with subsidiaries has been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2014 was assessed to be insignificant.

The fair value of the listed equity investment at fair value through profit or loss was based on quoted market prices.

The fair value of structured deposits are determined in accordance with discounted cash flow analysis with reference to the expected return of structured deposits.

The Group enters into a derivative financial instrument with a financial institution with high credit ratings. The fair value of the derivative financial instrument is based on the mark-to-market value quoted by the financial institution.

47. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Below is a summary of significant unobservable inputs to the valuation of structured deposits together with a quantitative sensitivity analysis as at 31 December 2014 and 2013:

Financial instrument	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value of the input
Structured deposits	Discount cash flow method	Expected rate of return	2014: 3.6% to 4.8% (2013: 4.1% to 6.2%)	5% increase (decrease) in expected rate of return would result in increase (decrease) in fair value by HK$182,000 (HK$173,000) (2013: HK$51,000 (HK$49,000))
		Discount rate	2014: 3.7% to 4.8% (2013: 4.1% to 6.2%)	5% increase (decrease) in discount rate would result in decrease (increase) in fair value by HK$38,000 (HK$36,000) (2013: HK$18,000 (HK$: 17,000))

47. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group and the Company's financial instruments:

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Assets measured at fair value:				
Group				
At 31 December 2014				
Structured deposits	**–**	**–**	**203,037**	**203,037**
At 31 December 2013				
Listed equity investment at fair value through profit or loss	312	–	–	312
Structured deposits	–	–	167,377	167,377
	312	–	167,377	167,689
Liability measured at fair value:				
Group				
At 31 December 2014				
Derivative financial instrument	**–**	**16**	**–**	**16**
At 31 December 2013				
Derivative financial instrument	–	15	–	15

47. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

The following tables illustrate the fair value measurement hierarchy of the Group and the Company's financial instruments: (continued)

The movements in fair value measurements in Level 3 during the year are as follows:

	2014	2013
	HK$'000	HK$'000
Structured deposits		
At 1 January	**167,377**	75,029
Purchases	**656,764**	585,449
Disposals	**(622,931)**	(499,921)
Net gains recognised in the statement of profit or loss	**5,683**	4,863
Exchange realignment	**(3,856)**	1,957
At 31 December	**203,037**	167,377

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 for both financial assets and financial liabilities (2013: Nil).

The Company did not have any financial assets and liabilities measured at fair value as at 31 December 2013 and 2014.

47. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

The following tables illustrate the fair value measurement hierarchy of the Group and the Company's financial instruments: (continued)

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Assets for which fair values are disclosed:				
Company				
At 31 December 2014				
Due from subsidiaries	**–**	**–**	**193,975**	**193,975**
At 31 December 2013				
Due from subsidiaries	–	–	203,748	203,748

The Group did not have any financial assets for which fair values were disclosed on 31 December 2013 and 2014.

	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Liabilities for which fair values are disclosed:				
Group				
At 31 December 2014				
Interest-bearing bank and other borrowings	**–**	**–**	**194,389**	**194,389**
At 31 December 2013				
Interest-bearing bank and other borrowings	–	–	209,031	209,031

47. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

The following tables illustrate the fair value measurement hierarchy of the Group and the Company's financial instruments: (continued)

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Liabilities for which fair values are disclosed:				
Company				
At 31 December 2014				
Interest-bearing other borrowings	**–**	**–**	**64**	**64**
At 31 December 2013				
Interest-bearing other borrowings	–	–	24	24
Due to subsidiaries	–	–	1,913	1,913
	–	–	1,937	1,937

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank and 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, pledged deposits, restricted cash, trade and bills receivables, deposits and other receivables, available-for-sale investments, an amount due to an associate, trade and bills payables, other payables and a derivative financial instrument, 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.

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk (continued)

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on deposits with banks and floating rate borrowings after taking into account the effect of the interest rate swap). 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$'000**
2014		
HK$	**50**	**(733)**
RMB	**50**	**551**
HK$	**(50)**	**733**
RMB	**(50)**	**(551)**
2013		
HK$	50	(589)
RMB	50	1,011
HK$	(50)	589
RMB	(50)	(1,011)

48. 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).

	Increase/ (decrease) in RMB rate %	Increase/ (decrease) in profit before tax HK$'000
2014		
If HK$ weakens against RMB	**5**	**4,356**
If HK$ strengthens against RMB	**(5)**	**(4,356)**
2013		
If HK$ weakens against RMB	5	(297)
If HK$ strengthens against RMB	(5)	297

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, pledged deposits, restricted cash, structured deposits, and deposits and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. The Company is also exposed to credit risk through the granting of financial guarantees to its subsidiaries, further details of which are disclosed in note 41.

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

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

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

Group

	On demand or no fixed terms HK$'000	Less than one year HK$'000	One to five years HK$'000	Over five years HK$'000	Total HK$'000
2014					
Due to an associate	**–**	**2,550**	**–**	**–**	**2,550**
Trade and bills payables	**–**	**201,916**	**–**	**–**	**201,916**
Other payables	**5,206**	**31,128**	**–**	**–**	**36,334**
Derivative financial instrument	**–**	**16**	**–**	**–**	**16**
Interest-bearing bank borrowings	**–**	**172,717**	**21,559**	**1,013**	**195,289**
Finance lease payables	**–**	**206**	**79**	**–**	**285**
	5,206	**408,533**	**21,638**	**1,013**	**436,390**
2013					
Due to an associate	–	2,550	–	–	2,550
Trade and bills payables	–	176,471	–	–	176,471
Other payables	5,076	36,540	–	–	41,616
Derivative financial instrument	–	15	–	–	15
Interest-bearing bank borrowings	–	181,543	24,371	4,312	210,226
Finance lease payables	–	244	221	–	465
	5,076	397,363	24,592	4,312	431,343

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

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

Company

	On demand or no fixed terms HK$'000	Less than one year HK$'000	One to five years HK$'000	Total HK$'000
2014				
Other payables	**–**	**48**	**–**	**48**
Finance lease payables	**–**	**15**	**57**	**72**
Guarantees given to banks in connection with facilities granted to subsidiaries (note 41)	**200,078**	**–**	**–**	**200,078**
	200,078	**63**	**57**	**200,198**
2013				
Due to subsidiaries	2,009	–	–	2,009
Other payables	–	219	–	219
Finance lease payables	–	16	8	24
Guarantees given to banks in connection with facilities granted to subsidiaries (note 41)	203,377	–	–	203,377
	205,386	235	8	205,629

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2014 and 31 December 2013.

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 leasehold land and building revaluation reserve and investment property revaluation reserve. The gearing ratios as at the end of the reporting periods were as follows:

Group

	2014	2013
	HK$'000	HK$'000
Bank and other borrowings	**194,547**	209,225
Equity attributable to owners of the parent	**1,339,239**	1,155,792
Less: Leasehold land and building revaluation reserve	**(152,206)**	(78,091)
Investment property revaluation reserve	**(13,557)**	(13,557)
Adjusted capital	**1,173,476**	1,064,144
Gearing ratio	**16.6%**	19.7%

49. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 26 March 2015.

Schedule of Principal Properties

31 December 2014

INVESTMENT PROPERTIES

Location	Percentage of interest in property attributable to the Group	Type of existing leasehold	Existing use
Units A, B, C and D, 28th Floor CNT Tower No. 338 Hennessy Road Wanchai Hong Kong	100	Long term	Commercial
18th Floor, CNT Tower No. 338 Hennessy Road Wanchai Hong Kong	100	Long term	Commercial
Ground Floor, 1st Floor, 2nd Floor and 3rd Floor China Paint Industrial Building Lot No. 991 in Demarcation District No. 215 Hong Ting Road Tui Min Hoi Sai Kung New Territories Hong Kong	100	Medium term	Industrial
Parking spaces and Room No. 1-3 on Ground Floor, Room No. 11, 14 and 16 on 1st Floor, Room No. 21 and 23 on 2nd Floor, Room No. 32 and 34 on 3rd Floor within an industrial building Lot No. 963 in Demarcation District No. 215 and the Extension Thereto Hong Ting Road Tui Min Hoi Sai Kung New Territories Hong Kong	100	Medium term	Industrial

Schedule of Principal Properties

31 December 2014

INVESTMENT PROPERTIES (continued)

Location	Percentage of interest in property attributable to the Group	Type of existing leasehold	Existing use
Ground Floor, No. 497 Shanghai Street Mong Kok Kowloon Hong Kong	100	Medium term	Commercial
Factory Complex Ling Dong Road Xin Hua Gangkou Industrial Development Zone Hua Du Guangdong Province the PRC	100	Medium term	Industrial
Office Unit 1704, Block A1 Wealth Century Plaza 13 Haian Road Tian He District Guangzhou City Guangdong Province the PRC	100	Medium term	Commercial
Office Units 2506 and 2507, Block A, Tianxia International Center Taoyuan Road Nanshan District Shenzhen City Guangdong Province the PRC	100	Medium term	Commercial

Schedule of Principal Properties

31 December 2014

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

Glossary

2002 Share Option Scheme	The share option scheme adopted by the Company on 28 June 2002 and expired on 27 June 2012
2012 Share Option Scheme	The share option scheme adopted by the Company on 28 June 2012
AC Chairman	The chairman of the Audit Committee
AC or Audit Committee	The audit committee of the Company
AGM	Annual general meeting of the Company
Board	The board of directors of the Company
Bye-laws	The bye-laws of the Company
CG Code	Corporate Governance Code contained in Appendix 14 to the Listing Rules
Chairman	The chairman of the Company
Companies Act	The Companies Act 1981 of Bermuda
Company	CNT Group Limited
Director(s)	The director(s) of the Company
Group	The Company and its subsidiaries
Listing Rules	Rules Governing the Listing of Securities on the Stock Exchange
Managing Director	The managing director of the Company
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
PRC	People's Republic of China
Proposed Spin-off	The proposal to spin-off part of the business of the Group for a separate listing on the Stock Exchange as disclosed in the Company's announcements dated 3 December 2013 and 19 November 2014
RC Chairman	The chairman of the Remuneration Committee
RC or Remuneration Committee	The remuneration committee of the Company
SFO	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Share(s)	Ordinary share(s) of HK$0.10 each in the capital of the Company
Shareholder(s)	Shareholder(s) of the Company
Stock Exchange	The Stock Exchange of Hong Kong Limited

CNT GROUP LIMITED
北海集團有限公司