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CNT GROUP LIMITED

北海集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 701)

**ANNOUNCEMENT OF RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

The directors of CNT Group Limited (the “Company”) announce the consolidated annual results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2013 together with comparative amounts for the corresponding period in 2012 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2013

	Notes	2013 HK\$'000	2012 HK\$'000 (Restated)
REVENUE	4	1,452,616	1,315,597
Cost of sales		(1,068,057)	(1,011,329)
Gross profit		384,559	304,268
Other income and gains	4	23,298	29,075
Selling and distribution expenses		(133,238)	(119,859)
Administrative expenses		(117,201)	(110,770)
Other expenses, net		(13,890)	(3,003)
Equity-settled share option expense		(2,758)	(4,278)
Fair value gains on investment properties, net		48,616	24,767
Impairment of an available-for-sale investment		(5,000)	(24,700)
Finance costs	5	(3,810)	(3,232)
Share of profits and losses of associates		7,188	1,508
PROFIT BEFORE TAX	6	187,764	93,776
Income tax expenses	7	(24,442)	(33,935)
PROFIT FOR THE YEAR		<u>163,322</u>	<u>59,841</u>

	Notes	2013 HK\$'000	2012 HK\$'000 (Restated)
PROFIT/(LOSS) ATTRIBUTABLE TO:			
Owners of the parent		163,302	59,885
Non-controlling interests		<u>20</u>	<u>(44)</u>
		<u>163,322</u>	<u>59,841</u>
EARNINGS PER SHARE			
ATTRIBUTABLE TO ORDINARY			
EQUITY HOLDERS OF THE PARENT 8			
			(Restated)
Basic and diluted		<u>HK8.65 cents</u>	<u>HK3.17 cents</u>

Details of the proposed dividend for the year are disclosed in note 9.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2013

	2013	2012
	HK\$'000	HK\$'000
		(Restated)
PROFIT FOR THE YEAR	<u>163,322</u>	<u>59,841</u>
OTHER COMPREHENSIVE INCOME		
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of foreign operations	<u>19,818</u>	<u>5,097</u>
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>		
Remeasurement of net pension scheme assets	2,054	696
Share of other comprehensive income of an associate	59	415
Gain on property revaluation	<u>31,592</u>	<u>—</u>
Total other comprehensive income not be reclassified to profit or loss in subsequent periods	<u>33,705</u>	<u>1,111</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR	<u>53,523</u>	<u>6,208</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>216,845</u>	<u>66,049</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO:		
Owners of the parent	216,682	66,055
Non-controlling interests	<u>163</u>	<u>(6)</u>
	<u>216,845</u>	<u>66,049</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Notes	31 December 2013 HK\$'000	31 December 2012 HK\$'000 (Restated)	1 January 2012 HK\$'000 (Restated)
NON-CURRENT ASSETS				
Property, plant and equipment		321,764	331,824	311,821
Investment properties		293,794	166,451	141,825
Properties under development		28,000	28,000	28,000
Prepaid land lease payments		22,800	22,672	23,034
Interests in associates		16,277	11,511	10,734
Available-for-sale investments		96,083	101,083	125,783
Deposits for purchases of properties, and plant and equipment		28,406	21,635	9,384
Net pension scheme assets		3,297	1,459	995
Deferred tax assets		3,572	4,485	1,845
Total non-current assets		<u>813,993</u>	<u>689,120</u>	<u>653,421</u>
CURRENT ASSETS				
Inventories		88,543	95,828	81,160
Trade and bills receivables	10	328,869	252,448	292,287
Prepayments, deposits and other receivables		42,954	31,771	23,660
Equity investments at fair value through profit or loss		312	21,183	300
Structured deposits		167,377	75,029	—
Restricted cash		51,232	—	—
Cash and cash equivalents		276,662	328,728	319,476
Total current assets		<u>955,949</u>	<u>804,987</u>	<u>716,883</u>
CURRENT LIABILITIES				
Trade and bills payables	11	176,471	170,258	167,822
Other payables and accruals		168,756	151,562	127,708
Derivative financial instrument		15	146	—
Due to associates		2,550	4,260	2,200
Interest-bearing bank and other borrowings		181,316	121,113	100,186
Tax payable		14,902	23,725	9,466
Total current liabilities		<u>544,010</u>	<u>471,064</u>	<u>407,382</u>
NET CURRENT ASSETS		<u>411,939</u>	<u>333,923</u>	<u>309,501</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,225,932</u>	<u>1,023,043</u>	<u>962,922</u>

	Notes	31 December 2013 HK\$'000	31 December 2012 HK\$'000 (Restated)	1 January 2012 HK\$'000 (Restated)
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,225,932</u>	<u>1,023,043</u>	<u>962,922</u>
NON-CURRENT LIABILITIES				
Interest-bearing bank and other borrowings		27,909	33,402	38,990
Deferred tax liabilities		34,688	26,816	21,709
Deferred income		<u>3,676</u>	<u>3,885</u>	<u>4,168</u>
Total non-current liabilities		<u>66,273</u>	<u>64,103</u>	<u>64,867</u>
Net assets		<u>1,159,659</u>	<u>958,940</u>	<u>898,055</u>
EQUITY				
Equity attributable to owners of the parent				
Issued capital		188,841	188,841	188,841
Reserves		<u>966,951</u>	<u>766,395</u>	<u>705,504</u>
		1,155,792	955,236	894,345
Non-controlling interests		<u>3,867</u>	<u>3,704</u>	<u>3,710</u>
Total equity		<u>1,159,659</u>	<u>958,940</u>	<u>898,055</u>

Notes to Consolidated Financial Statements

1. Basis of preparation

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

2.1. Changes in accounting policies and disclosures

The Group has adopted the following new and revised HKFRSs for the first time for the current year’s financial statements.

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

Other than as further explained below regarding the impact of HKFRS 13, HKAS 1 and HKAS 19 (2011), and certain amendments included in *Annual Improvements 2009-2011 Cycle*, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

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

- (a) HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but rather provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. HKFRS 13 is applied prospectively and the adoption has had no material impact on the Group's fair value measurements. As a result of the guidance in HKFRS 13, the policies for measuring fair value have been amended. Additional disclosures required by HKFRS 13 for the fair value measurements of investment properties and financial instruments are included in notes to the Group's financial statements.
- (b) The HKAS 1 Amendments change the grouping of items presented in other comprehensive income ("OCI"). Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) are presented separately from items which will never be reclassified (for example, the revaluation of land and buildings). The amendments have affected the presentation only and have had no impact on the financial position or performance of the Group. The consolidated statement of comprehensive income has been restated to reflect the changes. In addition, the Group has chosen to use the new title "statement of profit or loss" as introduced by the amendments in the Group's financial statements.
- (c) HKAS 19 (2011) changes the accounting for defined benefit schemes. The revised standard removes the choice to defer the recognition of actuarial gains and losses. All actuarial gains and losses are required to be recognised immediately in OCI. The interest cost and expected return on scheme assets used in the previous version of HKAS 19 are replaced with a net interest amount under HKAS 19 (2011), which is calculated by applying the discount rate to the net defined benefit liability or asset at the start of each annual reporting period.

Prior to the adoption of HKAS 19 (2011), the Group elected to recognise actuarial gains or losses as income or expense over the expected average remaining service periods of the employees participating in the defined benefit schemes when the net cumulative unrecognised actuarial gains or losses for the schemes at the end of the previous period exceeded 10% of the higher of the present value of the defined benefit obligation and the fair value of scheme assets at that date. Upon the adoption of HKAS 19 (2011), all actuarial gains and losses are recognised in OCI immediately. As a result, all deferred actuarial gains and losses as at 1 January 2012 and 31 December 2012 were recognised in OCI and the actuarial gains and losses recognised in the statement of profit or loss for the year ended 31 December 2012 was adjusted to OCI. In addition, the interest cost and expected return on scheme assets recorded in 2012 has been replaced by a net interest amount.

Furthermore, upon the adoption of HKAS 19 (2011), all past service costs are recognised at the earlier of when an amendment/curtailment occurs and when the related restructuring or termination costs are recognised. As a result, unvested past service costs can no longer be deferred and recognised over the future vesting period. HKAS 19 (2011) also requires more extensive disclosures which are included in note to the Group's financial statements.

HKAS 19 (2011) further introduces changes in the timing of the recognition of termination benefits, along with a clarified definition of termination benefits. Under HKAS 19 (2011), it will no longer be sufficient for an entity to be only demonstrably committed to providing termination benefits, which is the previous HKAS 19 requirement. Instead, the termination benefits should be recognised at the earlier of (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the Group recognises costs for a restructuring that is within the scope of HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and involves the payment of termination benefits.

Other than the changes to the accounting for defined benefit schemes, HKAS 19 (2011) also changes the classification of short term employee benefits. Under the revised standard, the distinction between short term and other long term employee benefits is now based on the expected timing of settlement rather than employee entitlement. As the Group does not have any significant employee benefits that are expected to be settled for more than twelve months after the reporting period, the changes to the accounting for these benefits have had no effect on the financial position or performance of the Group.

The effects of the changes to the accounting for the Group's defined benefit scheme and termination benefits are summarised below:

Impact on the consolidated statement of profit or loss for the year ended 31 December:

	2013	2012
	HK\$'000	HK\$'000
Decrease in cost of sales (staff costs)	1,093	655
Decrease in selling and distribution expenses (staff costs)	753	1,120
Decrease in administrative expenses (staff costs)	652	2,048
Decrease in finance costs	2,191	183
Increase in profit before tax	4,689	4,006
Decrease/(increase) in income tax expenses	2,225	(3,515)
Increase in profit for the year attributable to owners of the parent	6,914	491
Increase in basic and diluted earnings per share attributable to ordinary equity holders of the parent	<u>HK0.37 cents</u>	<u>HK0.02 cents</u>

Impact on the consolidated statement of comprehensive income for the year ended 31 December:

	2013	2012
	HK\$'000	HK\$'000
Increase in profit for the year	<u>6,914</u>	<u>491</u>
Increase in remeasurement gain on defined benefit scheme	2,054	696
Increase/(decrease) in exchange differences on translation of foreign operations	<u>671</u>	<u>(31)</u>
Increase in other comprehensive income for the year, net of tax	<u>2,725</u>	<u>665</u>
Increase in total comprehensive income for the year attributable to owners of the parent	<u>9,639</u>	<u>1,156</u>

Impact on the consolidated statement of financial position at 31 December:

	2013	2012
	HK\$'000	HK\$'000
Increase/(decrease) in net pension scheme assets	500	(1,115)
Decrease in deferred tax assets	<u>(5,260)</u>	<u>(7,261)</u>
Decrease in total non-current assets	<u>(4,760)</u>	<u>(8,376)</u>
Decrease in provision		
- Current	1,149	1,175
- Non-current	<u>33,919</u>	<u>27,870</u>
Decrease in total current and non-current liabilities	<u>35,068</u>	<u>29,045</u>
Increase in net assets and total equity	<u>30,308</u>	<u>20,669</u>

Impact on the consolidated statement of financial position at 1 January:

	2012
	HK\$'000
Decrease in net pension scheme assets	(1,536)
Decrease in deferred tax assets	<u>(3,715)</u>
Decrease in total non-current assets	<u>(5,251)</u>
Decrease in provision (non-current)	<u>24,764</u>
Decrease in total non-current liabilities	<u>24,764</u>
Increase in net assets and total equity	<u>19,513</u>

(d) Annual Improvements 2009-2011 Cycle issued in June 2012 sets out amendments to a number of standards. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments have had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

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

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

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

2.2 Issued but not yet effective Hong Kong Financial Reporting Standards

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

HKFRS 9	<i>Financial Instruments</i> ³
HKFRS 9, HKFRS 7 and HKAS 39 Amendments	<i>Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKFRS 39</i> ³
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) — <i>Investment Entities</i> ¹
HKAS 19 Amendments	Amendments to HKAS 19 <i>Employee Benefits — Defined Benefit Plans: Employee Contributions</i> ²
HKAS 32 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities</i> ¹
HKAS 36 Amendments	Amendments to HKAS 36 <i>Impairment of Assets — Recoverable Amount Disclosure for Non-Financial Assets</i> ¹

HKAS 39 Amendments Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement — Novation of Derivatives and Continuation of Hedge Accounting*¹

HK(IFRIC)-Int 21 *Levies*¹

¹ Effective for annual periods beginning on or after 1 January 2014

² Effective for annual periods beginning on or after 1 July 2014

³ No mandatory effective date yet determined but is available for adoption

3. **Operating segment information**

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

- (a) the paint products segment engages in the manufacture and sale of paint products and related services;
- (b) the property investment segment comprises:
 - (i) the investment in residential and commercial premises for their rental income potential; and
 - (ii) the development and sale of properties;
- (c) the iron and steel trading segment comprises the trading of iron and steel products and related investments; and
- (d) the “others” segment comprises, principally, other trading and investment holding.

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

Segment assets exclude cash and cash equivalents, 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.

	Paint products HK\$'000	Property investment HK\$'000	Iron and steel trading HK\$'000	Others HK\$'000	Total HK\$'000
Year ended 31 December 2013					
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	<u>5,684</u>	<u>51,492</u>	<u>5,855</u>	<u>719</u>	<u>63,750</u>
	1,106,384	74,490	349,208	7,702	1,537,784
<i>Reconciliation:</i>					
Elimination of intersegment sales					<u>(21,418)</u>
Total revenue					<u>1,516,366</u>
Segment results	132,186	67,402	17,939	(18,880)	198,647
<i>Reconciliation:</i>					
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					<u>(11,461)</u>
Profit before tax					<u>187,764</u>
As at 31 December 2013					
Segment assets	626,409	465,040	76,355	103,395	1,271,199
<i>Reconciliation:</i>					
Elimination of intersegment receivables					(3,792)
Corporate and other unallocated assets					<u>502,535</u>
Total assets					<u>1,769,942</u>
Segment liabilities	338,645	9,996	805	1,742	351,188
<i>Reconciliation:</i>					
Elimination of intersegment payables					(3,792)
Corporate and other unallocated liabilities					<u>262,887</u>
Total liabilities					<u>610,283</u>

	Paint products HK\$'000	Property investment HK\$'000	Iron and steel trading HK\$'000	Others HK\$'000	Total HK\$'000
Year ended 31 December 2013					
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 Corporate and other unallocated	16,035	3,976	7	—	20,018 98 20,116
Capital expenditure Corporate and other unallocated	34,824	21,411	21	—	56,256 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	—	—	—	13,520	13,520
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	<u>(2,288)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(2,288)</u>

	Paint products HK\$'000 (Restated)	Property investment HK\$'000	Iron and steel trading HK\$'000	Others HK\$'000 (Restated)	Total HK\$'000 (Restated)
Year ended 31 December 2012					
Segment revenue:					
Sales to external customers	967,647	6,915	341,035	—	1,315,597
Intersegment sales	—	8,500	—	4,979	13,479
Other revenue and gains	<u>7,667</u>	<u>26,889</u>	<u>4,926</u>	<u>11,605</u>	<u>51,087</u>
	975,314	42,304	345,961	16,584	1,380,163
<i>Reconciliation:</i>					
Elimination of intersegment sales					<u>(13,479)</u>
Total revenue					<u>1,366,684</u>
Segment results	77,261	34,659	10,959	(16,140)	106,739
<i>Reconciliation:</i>					
Elimination of intersegment results					6,419
Interest income					2,755
Finance costs					(3,232)
Equity-settled share option expense					(4,278)
Corporate and other unallocated expenses					<u>(14,627)</u>
Profit before tax					<u>93,776</u>

	Paint products HK\$'000 (Restated)	Property investment HK\$'000	Iron and steel trading HK\$'000	Others HK\$'000	Total HK\$'000 (Restated)
As at 31 December 2012					
Segment assets	566,897	333,728	61,767	123,328	1,085,720
<i>Reconciliation:</i>					
Elimination of intersegment receivables					(1,882)
Corporate and other unallocated assets					<u>410,269</u>
Total assets					<u><u>1,494,107</u></u>
Segment liabilities	297,600	8,375	20,495	582	327,052
<i>Reconciliation:</i>					
Elimination of intersegment payables					(1,882)
Corporate and other unallocated liabilities					<u>209,997</u>
Total liabilities					<u><u>535,167</u></u>

	Paint products HK\$'000	Property investment HK\$'000	Iron and steel trading HK\$'000	Others HK\$'000	Total HK\$'000
Year ended 31 December 2012					
Other segment information:					
Share of profits and losses of associates	—	(1,167)	(345)	4	(1,508)
Interests in associates	—	2,121	9,390	—	11,511
Depreciation Corporate and other unallocated	16,742	4,073	3	4	20,822 105 20,927
Capital expenditure Corporate and other unallocated	53,162	300	76	—	53,538 20 53,558*
Fair value gains on investment properties	—	(24,767)	—	—	(24,767)
Fair value gains on equity investments at fair value through profit or loss - held for trading	—	—	—	(11,122)	(11,122)
Impairment of an available-for-sale investment	—	—	—	24,700	24,700
Impairment of an other receivable	—	—	—	1,366	1,366
Reversal/recovery of amounts due from associates previously impaired/written off	—	(1,819)	(3,806)	—	(5,625)
Reversal of impairment of trade receivables	(1,534)	—	—	—	(1,534)
Write-back of inventories to net realisable value	<u>(4,615)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(4,615)</u>

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

Geographical information

(a) Revenue from external customers

	2013	2012
	HK\$'000	HK\$'000
Hong Kong	101,070	91,255
Mainland China	1,351,201	1,223,800
Other countries	<u>345</u>	<u>542</u>
	<u>1,452,616</u>	<u>1,315,597</u>

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

(b) Non-current assets

	2013	2012
	HK\$'000	HK\$'000
Hong Kong	400,431	309,876
Mainland China	310,578	272,153
Other countries	<u>32</u>	<u>64</u>
	<u>711,041</u>	<u>582,093</u>

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

During the year ended 31 December 2013, revenue generated from one of the Group's customers in the iron and steel trading segment amounting to approximately HK\$203,829,000 (2012: HK\$205,483,000) individually accounted for over 10% of the Group's revenue.

4. Revenue, other income and gains

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

	2013 HK\$'000	2012 HK\$'000
<u>Revenue</u>		
Sale of paint products and related services	1,100,700	967,647
Sale of iron and steel products	343,353	341,035
Gross rental income from investment properties	<u>8,563</u>	<u>6,915</u>
	<u>1,452,616</u>	<u>1,315,597</u>
<u>Other income</u>		
Bank interest income	3,301	2,755
Government grants received from Mainland China authorities	1,702	2,419
Commission income	570	724
Recognition of deferred income	323	315
Foreign exchange differences, net	1,382	771
Others	<u>3,963</u>	<u>4,582</u>
	<u>11,241</u>	<u>11,566</u>
<u>Gains</u>		
Fair value gains, net:		
Equity investments at fair value through profit or loss		
- held for trading	—	11,122
Structured deposits	4,863	479
Derivative instrument - transaction not qualifying as hedge	131	—
Reversal/recovery of amounts due from associates		
previously impaired/written off	4,859	5,625
Write-back of an amount due to an associate	1,710	—
Gain on disposal of items of property, plant and equipment	—	141
Gain on disposal of an equity investment at fair value through		
profit or loss - held for trading	—	82
Gain on disposal of a subsidiary	<u>494</u>	<u>60</u>
	<u>12,057</u>	<u>17,509</u>
Total other income and gains	<u>23,298</u>	<u>29,075</u>

5. Finance costs

An analysis of finance costs is as follows:

	2013 HK\$'000	2012 HK\$'000 (Restated)
Interest on:		
Bank loans wholly repayable within five years	3,747	3,446
Bank loans not wholly repayable within five years	486	667
Finance leases	<u>16</u>	<u>5</u>
Total interest expense on financial liabilities	4,249	4,118
Less: Interest capitalised	<u>(439)</u>	<u>(886)</u>
	<u><u>3,810</u></u>	<u><u>3,232</u></u>

6. Profit before tax

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

	2013 HK\$'000	2012 HK\$'000
Cost of inventories sold (as restated)	1,068,057	1,011,329
Depreciation	20,116	20,927
Amortisation of prepaid land lease payments	562	548
Loss/(gain) on disposal of items of property, plant and equipment, net	16	(141)
Write-off of items of property, plant and equipment*	341	1,361
Fair value losses/(gains) on equity investments at fair value through profit or loss - held for trading, net	13,520*	(11,122)
Impairment of an other receivable*	—	1,366
Write-back of inventories to net realisable value	(2,288)	(4,615)
Provision for/(reversal of) impairment of trade receivables	<u>2,507</u>	<u>(1,534)</u>

* These balances are included in "Other expenses, net" in the consolidated statement of profit or loss

7. Income tax

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 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.

	2013	2012
	HK\$'000	HK\$'000
		(Restated)
Current - Hong Kong		
Charge for the year	1,135	985
Overprovision in prior years	(10)	(36)
Current - Elsewhere		
Charge for the year	29,472	30,633
Overprovision in prior years	(15,021)	(130)
Deferred	<u>8,866</u>	<u>2,483</u>
Total tax charge for the year	<u>24,442</u>	<u>33,935</u>

The share of tax attributable to associates amounting to HK\$264,000 (2012: HK\$226,000) is included in “Share of profits and losses of associates” on the face of the consolidated statement of profit or loss.

8. Earnings per share attributable to ordinary equity holders of the parent

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent of HK\$163,302,000 (2012: HK\$59,885,000 (as restated)), and the weighted average number of ordinary shares of 1,888,405,690 (2012: 1,888,405,690) in issue during the year.

No adjustment has been made to the basic earnings per share amount presented for the years ended 31 December 2013 and 2012 in respect of a potential dilution as the exercise prices of the outstanding share options granted by the Company were higher than the average market price of the shares of the Company during these years, and accordingly, the share options had an anti-dilutive effect on the basic earnings per share amounts presented.

No other diluting events existed during the years ended 31 December 2013 and 2012.

9. Dividend

	2013	2012
	HK\$'000	HK\$'000
Proposed final - HK1.2 cents (2012: HK1 cent) per ordinary share	<u>22,661</u>	<u>18,884</u>

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 2014.

At the annual general meeting held on 5 June 2013, the Company's shareholders approved the distribution of the final dividend for the year ended 31 December 2012 of HK1 cent per share which amounted to approximately HK\$18,884,000.

10. Trade and bills receivables

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The Group maintains a defined credit policy and credit periods are usually granted ranging from one to three months to normal customers. The Group seeks to maintain strict control over its receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade and bills receivables relate to a large number of diversified customers and reputable banks, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade and bills receivables are non-interest-bearing.

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

	2013	2012
	HK\$'000	HK\$'000
Within three months	298,456	226,538
Over three months and within six months	22,944	22,696
Over six months	<u>7,469</u>	<u>3,214</u>
	<u>328,869</u>	<u>252,448</u>

11. 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:

	2013	2012
	HK\$'000	HK\$'000
Within three months	170,817	166,626
Over three months and within six months	5,654	3,605
Over six months	<u>—</u>	<u>27</u>
	<u>176,471</u>	<u>170,258</u>

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

DIVIDEND

The directors have resolved to recommend the payment of a final dividend of HK1.2 cents per share (2012 : HK1 cent) to the shareholders. The final dividend, if approved by the shareholders at the forthcoming annual general meeting, will be paid on Thursday, 26 June 2014 to the shareholders whose names appear on the Company's register of members on Thursday, 12 June 2014.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed on Thursday, 12 June 2014 and Friday, 13 June 2014, during the period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 11 June 2014.

CHAIRMAN'S STATEMENT

In 2013, Mainland China maintained stable economic growth. Export demand from overseas market was weak in the first half of 2013. In the second half of the year, the Chinese Government implemented prudent monetary policies and proactive fiscal policies to stimulate domestic consumption. Mainland China continued to switch to domestic-demand growth formula, but such structural adjustment will not be accomplished quickly. In the ever-changing market environment, the Group actively responded to the market changes and adopted appropriate sales strategies and marketing activities to promote our paint products. The Group's core paint operation continued to have improvement in revenue as well as segment profit.

RESULTS

The Group recorded a profit attributable to the shareholders of the Company for the year of approximately HK\$163.30 million, representing an increase of approximately 172.7% when compared with that of last year.

Revenue for the year amounted to approximately HK\$1,452.62 million, representing an increase of approximately HK\$137.02 million when compared with that of last year. Gross profit was increased by approximately 26.4% when compared with that of last year to approximately HK\$384.56 million. The growth was mainly due to the increase in revenue and the improvement in the gross profit margin of our paint products.

OPERATIONS

Paint Products

Revenue for the year amounted to approximately HK\$1,100.70 million, representing an increase of approximately 13.8% when compared with that of last year. The Group focused its market on Mainland China and achieved an increase of approximately 14.1% growth in revenue in respect of Mainland China market over that of 2012. The Group will continue to focus on Mainland China market. The segment profit for the year amounted to approximately HK\$132.19 million represented an increase of approximately HK\$54.93 million when compared with that of last year. The significant increase in the segment profit was mainly due to the increase in revenue and the improvement in the gross profit margin.

Property Investment

Revenue for the year amounted to approximately HK\$8.56 million, representing an increase of approximately 23.8% when compared with that of last year. Segment profit for the year amounted to approximately HK\$67.40 million when compared with that of approximately HK\$34.66 million last year. The improvement in segment profit for the year was mainly due to the increase in the fair value gains on the investment properties.

In order to broaden the portfolio of the Group's property investment to increase the rental income as well as the future capital appreciation, the Group acquired certain office premises in Nanshan, Shenzhen, the PRC at consideration of approximately HK\$21.28 million for long term investment purposes to earn rental income. In addition, the Group had entered into agreements with an independent property developer for the acquisition of certain residential premises in Shajing, Shenzhen, the PRC at a consideration of approximately HK\$19.48 million which was financed by internal resources of the Group and these properties are expected to be handed over to the Group in September 2015. The Group intends to earn rental income for long term investment purposes.

The application under Section 16 of Town Planning Ordinance to seek Town Planning Board's ("TPB") approval for a proposed columbarium on the Group's existing land located in Au Tau, Yuen Long, Hong Kong was refused. The Group had submitted a letter to the TPB to review the application under Section 17 of Town Planning Ordinance. It is expected that the Group will receive a reply from TPB in 2014.

Iron and Steel Trading and Related Investments

Revenue for the year amounted to approximately HK\$343.35 million, representing an increase of approximately 0.7% when compared with that of last year. Segment profit for the year amounted to approximately HK\$17.94 million when compared with that of approximately HK\$10.96 million last year. The improvement in segment profit for the year was mainly due to the increase in share of profit from an associate and the recovery of amounts due from an associate previously written off.

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 for the cemetery are outdoor grave lots, ordinary columbarium niches and luxury columbarium niches. Sales offices are established in Hong Kong and South China region for marketing purpose. Promotion campaigns have been launched to build up awareness among target elderly.

OUTLOOK

Looking ahead, the recovery of the global economy is anticipated to maintain stable growth. The Chinese Government will continue to focus on the stability of the economy. In November 2013, the Third Plenary Session of 18th Communist Party of China Central Committee proposed a comprehensive reform in economic, political, cultural and social aspects. The reform includes the improvement of an open economic system, a modernised market system and an urban and rural development mechanism. The Chinese Government will promote the urban-rural integration drive so as to ensure that rural residents equally share the benefits of modernisation. Policies should be improved to ensure urban development facilitate rural progress, and agriculture and industry benefit each other according to a decision on major issues concerning comprehensively deepening reforms. The Chinese Government also mentioned the related policies in 2014 Government Work Report. Also, the Chinese Government will begin to build more than 7 million units of government-subsidised housing. It is expected that the economy and property markets of Mainland China will grow healthily and stable. It is believed that the Group will benefit from the increasing demand of paint products according to the mid to long term policies in Mainland China. The Group will seize this opportunity of the reform by strengthening sales channels and enhancing the brand image.

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.

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

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

The Group recorded a profit attributable to the shareholders of the Company of approximately HK\$163.30 million for the year when compared with that of approximately HK\$59.89 million (as restated) last year. Revenue for the year amounted to approximately HK\$1,452.62 million, representing an increase of approximately 10.4% when compared with that of last year. Gross profit for the year amounted to approximately HK\$384.56 million, representing an increase of approximately 26.4% 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\$1,100.70 million accounting for approximately 75.8% of the Group's total revenue. It also represented an increase of approximately 13.8% when compared with that of last year. In addition to the increase in revenue, the improvement in gross profit for the year rendered segment profit for the year amounted to approximately HK\$132.19 million representing an increase of approximately 71.1% when compared with that of last year.

Property investment operation reported a revenue of approximately HK\$8.56 million, accounting for approximately 0.6% of the Group's total revenue. Segment profit for

the year was increased to approximately HK\$67.40 million when compared with that of approximately HK\$34.66 million last year. The improvement in segment profit was mainly due to the increase in the fair value gains on the investment properties.

Iron and steel operation reported a revenue of approximately HK\$343.35 million, accounting for approximately 23.6% of the Group's total revenue. Segment profit for the year amounted to approximately HK\$17.94 million when compared with that of approximately HK\$10.96 million last year. The improvement in segment profit was mainly due to the increase in share of profit from an associate and the recovery of amounts due from an associate previously written off.

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\$1,351.20 million (2012 : HK\$1,223.80 million) and approximately HK\$101.07 million (2012 : HK\$91.26 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\$276.66 million as at 31 December 2013 when compared with approximately HK\$328.73 million as at 31 December 2012. The total cash and bank balances, including structured deposits and restricted cash, amounted to approximately HK\$495.27 million as at 31 December 2013 when compared with approximately HK\$403.76 million as at 31 December 2012. Bank and other borrowings amounted to approximately HK\$209.23 million as at 31 December 2013 when compared with approximately HK\$154.52 million as at 31 December 2012. 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 2013, approximately HK\$181.32 million (86.7%) was payable within one year, approximately HK\$5.95 million (2.8%) was payable in the second year, approximately HK\$17.68 million (8.5%) was payable in the third to fifth years and the remaining balance of HK\$4.28 million (2.0%) 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 19.7% as at 31 December 2013 compared with 17.3% (as restated) as at 31 December 2012. Liquidity ratio of the Group which expressed as a percentage of current assets to current liabilities was 1.76 times as at 31 December 2013 compared with 1.71 times (as restated) as at 31 December 2012.

Equity and Net Asset Value

Shareholders' funds of the Group as at 31 December 2013 was approximately HK\$1,155.79 million compared with approximately HK\$955.24 million (as restated) as at 31 December 2012. 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 2013 was approximately HK\$1,064.14 million compared with approximately HK\$895.18 million (as restated) as at 31 December 2012. Net assets value per share as at 31 December 2013 was HK\$0.61 compared with HK\$0.51 (as restated) as at 31 December 2012.

Contingent Liabilities

At 31 December 2013, the banking facilities granted to various subsidiaries subject to guarantees given to banks by the Company were utilised to the extent of approximately HK\$203.38 million compared with HK\$148.76 million as at 31 December 2012.

Pledge of Assets

Certain land and buildings, investment properties, restricted cash and trade receivables with aggregate net book value of HK\$419.05 million as at 31 December 2013 (31 December 2012 : HK\$473.92 million) were pledged as collaterals or restricted as to use for bank and other borrowings. At 31 December 2013, total outstanding secured bank and other borrowings amounted to HK\$209.23 million compared with HK\$154.52 million as at 31 December 2012.

STAFF

Headcount as at 31 December 2013 was 1,144 (31 December 2012 : 1,097). Staff costs (excluding directors' emoluments) amounted to HK\$152.84 million for the year as compared with HK\$142.14 million (as restated) 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.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

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

AUDIT COMMITTEE REVIEW

The consolidated annual results of the Group for the year ended 31 December 2013 have been reviewed by the audit committee.

CORPORATE GOVERNANCE CODE

For the year ended 31 December 2013, the Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, except the following:

- (1) The non-executive directors are not appointed for a specific term. According to the Company's bye-laws, the non-executive directors are subject to re-election at least once every three years.
- (2) The Company does not have a nomination committee as the role and the function of such committee are performed by the full board. The board collectively reviews the structure, size and composition (including the skills, knowledge and experience) of the board and the appointment of any new director. Also, the board as a whole is responsible for approving the succession plan for the directors, including the chairman and the managing director.

On behalf of the board
Lam Ting Ball, Paul
Chairman

Hong Kong, 19 March 2014

The board of directors of the Company as at the date hereof comprises Messrs. Lam Ting Ball, Paul, Tsui Ho Chuen, Philip and Chong Chi Kwan as executive directors; Messrs. Chan Wa Shek, Zhang Yulin and Ko Sheung Chi as non-executive directors; and Sir David Akers-Jones, Mr. Danny T Wong, Dr. Steven Chow and Mr. Zhang Xiaojing as independent non-executive directors.