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 2014

The board of directors (the "Board") 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 2014 together with comparative amounts for the corresponding period in 2013 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2014

	Notes	**2014 HK$'000**	2013 HK$'000
REVENUE	4	**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	4	**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		**(917)**	(2,758)
Fair value gains on investment properties, net		**27,130**	48,616
Impairment of an available-for-sale investment		**–**	(5,000)
Finance costs	5	**(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	7	**(33,539)**	(24,442)
PROFIT FOR THE YEAR		**150,037**	163,322

	Notes	**2014** HK$'000	2013 HK$'000
PROFIT ATTRIBUTABLE TO:			
Owners of the parent		**149,192**	163,302
Non-controlling interests		**845**	20
		150,037	163,322
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic and diluted		**HK7.90 cents**	HK8.65 cents

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2014

	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 not to be reclassified to profit or loss in subsequent periods:		
Remeasurement of net pension scheme assets	**(281)**	2,054
Share of other comprehensive income of an associate	**–**	59
Gains on property revaluation	**74,115**	31,592
Total other comprehensive income not 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
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Owners of the parent	**205,191**	216,682
Non-controlling interests	**729**	163
	205,920	216,845

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Notes	**31 December 2014 HK$'000**	31 December 2013 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**300,799**	321,764
Investment properties		**401,980**	293,794
Properties under development		**28,000**	28,000
Prepaid land lease payments		**21,682**	22,800
Interests in associates		**17,916**	16,277
Available-for-sale investments		**96,083**	96,083
Deposits for purchases of properties, and plant and equipment		**27,866**	28,406
Net pension scheme assets		**2,853**	3,297
Deferred tax assets		**9,326**	3,572
Total non-current assets		**906,505**	813,993
CURRENT ASSETS			
Inventories		**74,413**	88,543
Trade and bills receivables	10	**442,772**	328,869
Prepayments, deposits and other receivables		**44,640**	42,954
Equity investment at fair value through profit or loss		**–**	312
Structured deposits		**203,037**	167,377
Pledged deposits		**1,742**	–
Restricted cash		**74,958**	51,232
Cash and cash equivalents		**223,506**	276,662
Total current assets		**1,065,068**	955,949
CURRENT LIABILITIES			
Trade and bills payables	11	**201,916**	176,471
Other payables and accruals		**167,440**	168,756
Derivative financial instrument		**16**	15
Due to an associate		**2,550**	2,550
Interest-bearing bank and other borrowings		**172,535**	181,316
Tax payable		**17,222**	14,902
Total current liabilities		**561,679**	544,010

	Notes	31 December 2014 HK$'000	31 December 2013 HK$'000
NET CURRENT ASSETS		**503,389**	411,939
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,409,894**	1,225,932
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**22,012**	27,909
Deferred tax liabilities		**40,782**	34,688
Deferred income		**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		**188,841**	188,841
Reserves		**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

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"), and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable 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. 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

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.

(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.

2.2. 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 Exemption*[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 HKFRS 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.

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.

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.

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.

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.

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 *Annual Improvements* to *HKFRSs 2010-2012 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Except for those described in notes to financial statements, 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.

3. **Operating segment information**

For management purposes, the Group is organized 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 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, 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, restricted cash, pledged deposit, 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 2014					
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 income 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
As at 31 December 2014					
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

	Paint products HK$'000	Property investment HK$'000	Iron and steel trading HK$'000	Others HK$'000	Total HK$'000
Year ended 31 December 2014					
Other segment information:					
Share of profit 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

	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 income 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
As at 31 December 2013					
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

	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 profit 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.

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

Geographical information:

(a) Revenue from external customers

	2014	2013
	HK$'000	HK$'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 location of the customers.

(b) Non-current assets

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

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

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.

4. Revenue, other income and gains, net

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

	2014 **HK$'000**	2013 HK$'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
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	**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	**–**	494
	10,305	12,057
Total other income and gains, net	**22,198**	23,298

5. Finance costs

An analysis of finance costs is as follows:

	2014	2013
	HK$'000	HK$'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

6. Profit before tax

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

	2014	2013
	HK$'000	HK$'000
Cost of inventories sold	**1,053,182**	1,068,057
Cost of services provided	**135**	–
Depreciation	**17,012**	20,116
Amortisation of prepaid land lease payments	**562**	562
Loss on disposal of items of property, plant and equipment, net*	**370**	16
Write-off of items of property, plant and equipment*	**227**	341
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*	**1**	(131)
Write-down/(write-back) of inventories to net realisable value	**2,112**	(2,288)
Provision for impairment of trade receivables	**1,348**	2,507

* 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.

7. 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.

	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	**197**	8,866
Total tax charge for the year	**33,539**	24,442

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.

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$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 amount 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 shares of the Company during these years, and accordingly, the share options had no dilutive effect on the basis earnings per share amounts presented.

No other diluting events existed during the years ended 31 December 2014 and 2013.

9. Dividend

	2014	2013
	HK$'000	HK$'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.

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 provision, is as follows:

	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

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:

	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 on 60-day terms.

DIVIDEND

The directors of the Company have resolved to recommend the payment of a final dividend of HK1.2 cents per share (2013: HK1.2 cents) to the shareholders of the Company. The final dividend, if approved by the shareholders of the Company at the forthcoming annual general meeting (the "2015 AGM"), will be paid on Monday, 22 June 2015 to the shareholders of the Company whose names appear on the Company's register of members on Tuesday, 9 June 2015.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed on Monday, 8 June 2015 and Tuesday, 9 June 2015, 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 Friday, 5 June 2015.

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.

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.

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.

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.

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.

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 audit committee of the Company has met the external auditors of the Company, Messrs. Ernst and Young, and reviewed the Group's annual results for the year ended 31 December 2014.

CORPORATE GOVERNANCE

For the year ended 31 December 2014, the Company has complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules, except the following:

(1) The non-executive directors of the Company and the independent non-executive directors of the Company are not appointed for a specific term. According to the Company's 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.

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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 for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules (the "Model Code"). After specific enquiry by the Company, all directors confirmed that they have complied with the required standard set out in the Model Code and the Company's own code during the year ended 31 December 2014.

PROPOSED AMENDMENTS TO THE BYE-LAWS AND ADOPTION OF NEW BYE-LAWS

With a view to bringing the existing bye-laws of the Company in line with certain amendments to the Listing Rules and the Companies Act 1981 of Bermuda between 2006 and now, the Board has proposed to amend the existing bye-laws of the Company and adopt a new set of bye-laws of the Company consolidating all the proposed amendments, to replace the existing bye-laws of the Company, subject to the approval of the shareholders of the Company by way of special resolution at the 2015 AGM. A circular containing, inter alia, the notice of 2015 AGM and details of the proposed amendments to the existing bye-laws of the Company will be despatched to the shareholders of the Company in due course.

On behalf of the Board
Lam Ting Ball, Paul
Chairman

Hong Kong, 26 March 2015

As at the date of this announcement, the Board comprises Mr. Lam Ting Ball, Paul, Mr. Tsui Ho Chuen, Philip and Mr. Chong Chi Kwan as executive directors; Mr. Chan Wa Shek, Mr. Zhang Yulin and Mr. 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.