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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 2015

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 2015 together with comparative amounts for the corresponding period in 2014 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2015

	Notes	**2015 HK$'000**	2014 HK$'000
REVENUE	4	**1,102,813**	1,473,181
Cost of sales		**(749,741)**	(1,053,317)
Gross profit		**353,072**	419,864
Other income and gains, net	4	**22,886**	22,198
Selling and distribution expenses		**(151,449)**	(160,433)
Administrative expenses		**(128,759)**	(119,050)
Other expenses, net		**(3,365)**	(2,290)
Equity-settled share option expense		**–**	(917)
Fair value gains on investment properties, net		**30,131**	27,130
Finance costs	5	**(3,681)**	(3,975)
Share of profits and losses of associates		**(3,954)**	1,049
PROFIT BEFORE TAX	6	**114,881**	183,576
Income tax expenses	7	**(29,095)**	(33,539)
PROFIT FOR THE YEAR		**85,786**	150,037

	Notes	**2015** **HK$'000**	2014 HK$'000
ATTRIBUTABLE TO:			
Owners of the parent		**86,354**	149,192
Non-controlling interests		**(568)**	845
		85,786	150,037
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic		**HK4.55 cents**	HK7.90 cents
Diluted		**HK4.54 cents**	HK7.90 cents

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2015

	2015 HK$'000	2014 HK$'000
PROFIT FOR THE YEAR	**85,786**	150,037
OTHER COMPREHENSIVE INCOME		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(40,116)**	(18,541)
Share of other comprehensive income of an associate	**122**	590
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods	**(39,994)**	(17,951)
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods:		
Remeasurement of net pension scheme assets	**(489)**	(281)
Gain on properties revaluation	**96,863**	74,115
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	**96,374**	73,834
OTHER COMPREHENSIVE INCOME FOR THE YEAR	**56,380**	55,883
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**142,166**	205,920
ATTRIBUTABLE TO:		
Owners of the parent	**142,919**	205,191
Non-controlling interests	**(753)**	729
	142,166	205,920

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	**2015** **HK$'000**	2014 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**275,956**	300,799
Investment properties		**569,937**	401,980
Properties under development		**28,000**	28,000
Prepaid land lease payments		**20,181**	21,682
Interests in associates		**11,076**	17,916
Available-for-sale investments		**96,083**	96,083
Deposits for purchases of properties, and plant and equipment		**32,477**	27,866
Net pension scheme assets		**2,178**	2,853
Deferred tax assets		**7,985**	9,326
Total non-current assets		**1,043,873**	906,505
CURRENT ASSETS			
Inventories		**62,464**	74,413
Trade and bills receivables	10	**354,360**	442,772
Prepayments, deposits and other receivables		**47,184**	44,640
Structured deposits		**160,549**	203,037
Pledged deposits		**3,179**	1,742
Restricted cash		**71,610**	74,958
Cash and cash equivalents		**277,394**	223,506
Total current assets		**976,740**	1,065,068
CURRENT LIABILITIES			
Trade and bills payables	11	**128,656**	201,916
Other payables and accruals		**145,164**	167,440
Derivative financial instrument		**10**	16
Due to an associate		**2,800**	2,550
Interest-bearing bank and other borrowings		**189,211**	172,535
Tax payable		**19,534**	17,222
Total current liabilities		**485,375**	561,679
NET CURRENT ASSETS		**491,365**	503,389

	2015	2014
	HK$'000	HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES	**1,535,238**	1,409,894
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**16,139**	22,012
Deferred tax liabilities	**46,406**	40,782
Deferred income	**2,813**	3,265
Total non-current liabilities	**65,358**	66,059
Net assets	**1,469,880**	1,343,835
EQUITY		
Equity attributable to owners of the parent		
Issued capital	**190,369**	188,841
Reserves	**1,275,668**	1,150,398
	1,466,037	1,339,239
Non-controlling interests	**3,843**	4,596
Total equity	**1,469,880**	1,343,835

Notes to 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 land and buildings classified as property, plant and equipment, structured deposits, a derivative financial instrument 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 for the first time for the current year's financial statements.

Amendments to HKAS 19 *Defined Benefit Plans: Employee Contributions*
Annual Improvements to HKFRSs 2010-2012 Cycle
Annual Improvements to HKFRSs 2011-2013 Cycle

The nature and the impact of each amendment is described below:

(a) Amendments to HKAS 19 apply to contributions from employees or third parties to defined benefit plans. The amendments simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. If the amount of the contributions is independent of the number of years of services, an entity is permitted to recognise such contributions as a reduction of service cost in the period in which the related service is rendered. The amendments have had no impact on the Group as the Group had no contributions from employees or third parties to the defined benefit scheme for the current and prior year.

(b) The *Annual Improvements to HKFRSs 2010-2012 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year 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. The amendments have had no impact on the Group.

– HKAS 16 *Property, Plant and Equipment* and HKAS 38 *Intangible Assets*: Clarifies the treatment of gross carrying amount and accumulated depreciation or amortisation of revalued items of property, plant and equipment and intangible assets. The amendments have had no impact on the Group.

– HKAS 24 *Related Party Disclosures*: Clarifies that a management entity (that is, an entity that provides key management personnel services) is a related party subject to related party disclosure requirements. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment has had no impact on the Group as the Group does not receive management services from other entities.

(c) The *Annual Improvements to HKFRSs 2011-2013 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows:

– HKFRS 3 *Business Combinations*: Clarifies that joint arrangements but not joint ventures are outside the scope of HKFRS 3 and the scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is applied prospectively. The amendment has had no impact on the Group as the Company is not a joint arrangement and the Group did not form any joint arrangement during the year.

– HKFRS 13 *Fair Value Measurement*: Clarifies that the portfolio exception in HKFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of HKFRS 9 or HKAS 39 as applicable. The amendment is applied prospectively from the beginning of the annual period in which HKFRS 13 was initially applied. The amendment has had no impact on the Group as the Group does not apply the portfolio exception in HKFRS 13.

– HKAS 40 *Investment Property*: Clarifies that HKFRS 3, instead of the description of ancillary services in HKAS 40 which differentiates between investment property and owner-occupied property, is used to determine if the transaction is a purchase of an asset or a business combination. The amendment is applied prospectively for acquisitions of investment properties. The amendment has had no impact on the Group as the acquisition of investment properties during the year was not a business combination and so this amendment is no applicable.

In addition, the Company has adopted the amendments to the Listing Rules issued by the Hong Kong Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

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

1 Effective for annual periods beginning on or after 1 January 2016

2 Effective for annual periods beginning on or after 1 January 2018

3 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

4 No mandatory effective date yet determined

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 is currently assessing the impact of the standard.

HKFRS 15 establishes a new five-step model that will account for 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. In September 2015, the HKICPA issued an amendment to HKFRS 15 regarding a one-year deferral of the mandatory effective date of HKFRS 15 to 1 January 2018. The Group expects to adopt HKFRS 15 on 1 January 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

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

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

Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

(i) the materiality requirements in HKAS 1;

(ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;

(iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

(iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The Group expects to adopt the amendments from 1 January 2016. The amendments are not expected to have any significant impact on the Group's financial statements.

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.

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, 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 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, pledged deposits, restricted cash, structured deposits, deferred tax assets, net pension scheme assets and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude the 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.

Year ended 31 December 2015	Paint products HK$'000	Property investment HK$'000	Iron and steel trading HK$'000	Others HK$'000	Total HK$'000
Segment revenue:					
Sales to external customers	**867,997**	**22,541**	**212,275**	**–**	**1,102,813**
Intersegment sales	**–**	**15,938**	**–**	**7,279**	**23,217**
Other revenue and gains	**8,229**	**32,447**	**1,532**	**100**	**42,308**
	876,226	**70,926**	**213,807**	**7,379**	**1,168,338**
Reconciliation:					
Elimination of intersegment sales					**(23,217)**
Total					**1,145,121**
Segment results	**54,641**	**62,731**	**(661)**	**1,905**	**118,616**
Reconciliation:					
Elimination of intersegment results					**(383)**
Interest income					**5,675**
Fair value gains on structured deposits					**5,034**
Finance costs					**(3,681)**
Corporate and other unallocated expenses					**(10,380)**
Profit before tax					**114,881**
As at 31 December 2015					
Segment assets	**647,011**	**707,481**	**47,647**	**96,057**	**1,498,196**
Reconciliation:					
Elimination of intersegment receivables					**(1,027)**
Corporate and other unallocated assets					**523,444**
Total assets					**2,020,613**
Segment liabilities	**256,342**	**5,958**	**13,767**	**690**	**276,757**
Reconciliation:					
Elimination of intersegment payables					**(1,027)**
Corporate and other unallocated liabilities					**275,003**
Total liabilities					**550,733**

Year ended 31 December 2015	Paint products HK$'000	Property investment HK$'000	Iron and steel trading HK$'000	Others HK$'000	Total HK$'000
Other segment information:					
Share of profits and losses of associates	–	(1,543)	5,497	–	3,954
Interests in associates	–	958	10,118	–	11,076
Depreciation	17,631	3,008	8	3	20,650
Corporate and other unallocated					99
					20,749
Capital expenditure	53,199	1,110	5	–	54,314
Corporate and other unallocated					357
					54,671*
Fair value gains on investment properties, net	–	(30,131)	–	–	(30,131)
Recovery of amounts due from an associate previously written off	–	–	(895)	–	(895)
Provision for impairment of trade receivables	5,465	–	–	–	5,465
Write-back of inventories to net realisable value	(2,074)	–	–	–	(2,074)

Year ended 31 December 2014	Paint products HK$'000	Property investment HK$'000	Iron and steel trading HK$'000	Others HK$'000	Total HK$'000
Segment revenue:					
Sales to external customers	1,131,305	16,091	325,405	380	1,473,181
Intersegment sales	–	18,100	–	10,081	28,181
Other revenue and gains	7,020	27,285	5,286	152	39,743
	1,138,325	61,476	330,691	10,613	1,541,105
Reconciliation:					
Elimination of intersegment sales					(28,181)
Total					1,512,924
Segment results	122,005	54,559	11,157	3,223	190,944
Reconciliation:					
Elimination of intersegment results					(1,142)
Interest income					3,902
Fair value gains on structured deposits, net					5,683
Finance costs					(3,975)
Equity-settled share option expense					(917)
Corporate and other unallocated expenses					(10,919)
Profit before tax					183,576
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

Year ended 31 December 2014	Paint products HK$'000	Property investment HK$'000	Iron and steel trading HK$'000	Others HK$'000	Total HK$'000
Other segment information:					
Share of profits and losses of associates	–	(1,444)	395	–	(1,049)
Interests in associates	–	2,423	15,493	–	17,916
Depreciation	13,767	3,147	9	1	16,924
Corporate and other unallocated					88
					17,012
Capital expenditure	9,984	135	–	18	10,137
Corporate and other unallocated					85
					10,222**
Fair value gains on investment properties	–	(27,130)	–	–	(27,130)
Fair value gains on an equity investment at fair value through profit or loss – held for trading	–	–	–	(11)	(11)
Recovery of amounts due from an associate previously written off	–	–	(4,611)	–	(4,611)
Provision for impairment of trade receivables	1,348	–	–	–	1,348
Write-down of inventories to net realisable value	2,112	–	–	–	2,112

* 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

	2015	2014
	HK$'000	HK$'000
Hong Kong	**82,443**	105,389
Mainland China	**1,020,318**	1,367,547
Other countries	**52**	245
	1,102,813	1,473,181

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

(b) Non-current assets

	2015	2014
	HK$'000	HK$'000
Hong Kong	**589,820**	492,004
Mainland China	**347,807**	306,239
	937,627	798,243

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

Information about a major customer:

During the year ended 31 December 2015, no revenue from any single customer accounted for 10% or more of the total revenue of the Group. During the year ended 31 December 2014, revenue generated from one of the Group's customers in the iron and steel trading segment amounting to approximately HK$195,152,000 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:

	2015	2014
	HK$'000	HK$'000
Revenue		
Sale of paint products and related services	**867,997**	1,131,305
Sale of iron and steel products	**212,275**	325,405
Sale of wine	**–**	80
Gross rental income from investment properties	**22,541**	16,091
Advertising service income	**–**	300
	1,102,813	1,473,181
Other income		
Bank interest income	**5,675**	3,902
Government grants received from Mainland China authorities	**4,840**	2,789
Commission income	**171**	204
Recognition of deferred income	**317**	323
Others	**5,895**	4,675
	16,898	11,893
Gains, net		
Fair value gains, net:		
Equity investment at fair value through profit or loss – held for trading	**–**	11
Structured deposits	**5,034**	5,683
Derivative instrument – transaction not qualifying as hedge	**6**	–
Recovery of amounts due from an associate previously written off	**895**	4,611
Gain on disposal of items of property, plant and equipment, net	**53**	–
	5,988	10,305
Total other income and gains, net	**22,886**	22,198

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2015	2014
	HK$'000	HK$'000
Interest on bank loans	**3,675**	4,247
Interest on finance leases	**6**	12
Total interest expense on financial liabilities	**3,681**	4,259
Less: Interest capitalised	**–**	(284)
	3,681	3,975

6. PROFIT BEFORE TAX

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

	2015	2014
	HK$'000	HK$'000
Cost of inventories sold	**749,741**	1,053,182
Cost of services provided	**–**	135
Depreciation	**20,749**	17,012
Amortisation of prepaid land lease payments	**552**	562
Loss/(gain) on disposal of items of property, plant and equipment, net*	**(53)**	370
Write-off of items of property, plant and equipment*	**155**	227
Fair value losses/(gains), net:		
Equity investment at fair value through profit or loss – held for trading*	**–**	(11)
Derivative instrument – transaction not qualifying as hedge*	**(6)**	1
Write-down/(write-back) of inventories to net realisable value	**(2,074)**	2,112
Provision for impairment of trade receivables	**5,465**	1,348

* 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% (2014: 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.

	2015	2014
	HK$'000	HK$'000
Current – Hong Kong		
Charge for the year	**4,170**	3,495
Overprovision in prior years	**(20)**	(10)
Current – Elsewhere		
Charge for the year	**18,255**	29,725
Underprovision in prior years	**37**	132
Deferred	**6,653**	197
Total tax charge for the year	**29,095**	33,539

The share of tax attributable to associates amounting to HK$294,000 (2014: HK$285,000) 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$86,354,000 (2014: HK$149,192,000), and the weighted average number of ordinary shares of 1,897,783,005 (2014: 1,888,405,690) in issue during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

The calculations of the basic and diluted earnings per share are based on:

	2015	2014
	HK$'000	HK$'000
Earnings		
Profit for the year attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**86,354**	149,192

	Number of shares	
	2015	2014
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**1,897,783,005**	1,888,405,690
Effect of dilution – weighted average number of ordinary shares:		
Share options	**4,203,416**	–
	1,901,986,421	1,888,405,690*

* No adjustment has been made to the basic earnings per share amount presented for the year ended 31 December 2014 in respect of a potential dilution as the exercise prices of the outstanding share options granted by the Company were higher than the average market price of the ordinary shares of the Company during that year, and accordingly, the share options had no dilutive effect on the basic earnings per share amount presented.

9. DIVIDEND

	2015	2014
	HK$'000	HK$'000
Proposed final – HK1.0 cent (2014: HK1.2 cents) per ordinary share	**19,037**	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 2016.

At the annual general meeting held on 2 June 2015, the Company's shareholders approved the distribution of the final dividend for the year ended 31 December 2014 of HK1.2 cents per share. As a result of the additional 15,280,000 shares issued on 22 May 2015, which were also entitled to 2014 final dividend, the total dividend payment amounted to approximately HK$22,844,000.

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

An ageing 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:

	2015	2014
	HK$'000	HK$'000
Within three months	**254,316**	373,830
Over three months and within six months	**41,799**	55,057
Over six months	**58,245**	13,885
	354,360	442,772

11. TRADE AND BILLS PAYABLES

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

	2015	2014
	HK$'000	HK$'000
Within three months	**127,720**	201,908
Over three months and within six months	**925**	–
Over six months	**11**	8
	128,656	201,916

The trade payables are unsecured, non-interest-bearing and are normally settled within two months. As at 31 December 2015, bills payable with an aggregate carrying amount of HK$9,251,000 (2014: HK$5,806,000) were secured by time deposits of HK$3,179,000 (2014: HK$1,742,000).

DIVIDEND

The directors of the Company have resolved to recommend the payment of a final dividend of HK1.0 cent per share (2014: 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, will be paid on Thursday, 23 June 2016 to the shareholders of the Company whose names appear on the Company's register of members on Friday, 10 June 2016.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 8 June 2016 to Friday, 10 June 2016, 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 Tuesday, 7 June 2016.

CHAIRMAN'S STATEMENT

In 2015, the economic environment and business condition were full of challenges. The economy of Mainland China continued to slowdown and the downside pressure has intensified. The gross domestic product ("GDP") growth rate of Mainland China was 6.9% on a year-on-year basis for 2015, which is the slowest growth rate for the previous 25 years. In order to maintain a stable economic growth, the Chinese Government continued to increase strength on areas such as structural reform, financial reform and land reform. In 2015, the People's Bank of China made consecutive interest rate reductions and reserve requirement ratio cuts, and launched various control and adjustment policies, including adjustment of down-payment ratio for purchase of a second property and purchaser using housing accumulation fund loans, to support the sustainable development of real estate market in Mainland China.

RESULTS

The Group recorded a profit attributable to the shareholders of the Company for the year ended 31 December 2015 of approximately HK$86.35 million, representing a significant decrease of 42.1% when compared with last year. The decrease was mainly due to the decline in sales of paint products as a result of the slowdown of the economy in Hong Kong and Mainland China. After the explosion in a warehouse storing dangerous and chemical goods in the port area of Tianjin in August 2015, the customers tended to decrease their stock level in order to reduce the fire risk of dangerous goods. This further affected the sales of our oil-based paints in Mainland China.

Revenue for the year amounted to approximately HK$1,102.81 million, representing a significant decrease of 25.1% when compared with last year. Gross profit was decreased by approximately HK$66.79 million, representing a significant decrease of 15.9% when compared with last year.

PROSPECTS

Looking ahead, the operating environment will remain challenging under the current macro-environment. The domestic economy of Mainland China has entered into the "New Normal" stage of slower economic growth. It takes time to digest the industrial over-capacity, restructure the economy and shift to an innovation-driven mode. The challenges are unprecedented while opportunities exist.

Paint Products

Year 2016 is the first year of China's 13th Five-Year Plan. The Chinese Government has the goal to build a moderately prosperous society by 2020 and to set target of maintaining medium-high growth. The ambitious target means doubling the GDP and per capita income by 2020 from the level of 2010. The annual growth for the period 2016-2020 shall keep at 6.5 percent or above.

Under the New-type Urbanization Policy, the Chinese Government proposes that the Mainland China's ratio of permanent urbanization residents to total population shall reach 60.0%, while the residents with urban household registration shall reach 45.0% of the total population by 2020. In 2016, the Chinese Government plans to build more than 6 million units of housing under the shanty area renovation plan. It is expected that the economy and property markets of Mainland China will grow healthily and stable. The increase in urban population as well as the ongoing improvement in household disposable income and living standards are expected to reinforce the demand for real estate and therefore give a stable demand for paint products. The Group believes that our paint operation will benefit from the reforms.

Looking ahead, we will continue to enhance the number of distribution channels and strengthen our relationship with regional agencies and partners across major geographical areas in Mainland China. We will seize any opportunities to promote our products to the existing and potential customers.

In addition, in order to 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 to cost control and technological innovation to improve the material utilization.

Property Investment

Following the U.S. Federal Reserve's policy decision in December 2015, the interest rate was increased by 0.25%. As the Hong Kong Government is continuing to implement several harsh administrative measures on stamp duty, and is increasing the supply of new residential premises in Hong Kong, it is expected that the residential sector will be weakened further and the price of residential properties will gradually drop. However, Hong Kong is in shortage of office space at prime area for multinational and China companies to set up their regional headquarters in Hong Kong. It is expected that the demand for office premises is still in need.

In the coming year, the Group will continue to broaden the portfolio of the Group's property investment by acquiring additional properties in prime areas in Hong Kong and/or the PRC to earn stable recurring income and cash flow for long term investment purposes.

Iron and Steel Trading and Related Investments

In order to boost long term growth, the Chinese Government has undertaken structural reforms, and will focus on supply-side reforms in 2016. One aspect of the reforms is to encourage merger and acquisition in the iron and steel industry in order to cut overcapacity, destocking activities, reduce costs and improve efficiency. The market is expected to be more competitive in 2016.

However, increasing consumer awareness on the recycling and environmental benefits of the tinplate packaging has led to a positive outlook for the industry. Therefore, demand for tinplate products in Mainland China is expected to have a single digit growth in 2016.

Looking ahead, we strive to stay competitive in the market, increase our customers' base and position for profitable growth.

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

BUSINESS REVIEW

Paint Products

The Group produces two main categories of paint products, namely architectural coatings and industrial coatings. Architectural coatings are coatings used for interior and exterior buildings and homes for decorative and protective purposes. Industrial coatings are coatings used by industrial manufacturers for product coatings. Architectural coatings and industrial coatings accounted for 91.0% (2014: 81.4%) and 9.0% (2014: 18.6%) of the total revenue of paint business respectively.

The Group focused its market on Mainland China which contributed to approximately 92.8% (2014: 91.9%) of the total revenue of paint business. The Group will continue to focus on Mainland China market.

Revenue in paint products decreased by 23.3% to approximately HK$868.00 million when compared with that of approximately HK$1,131.31 million last year. The revenue was not only hit by the slowdown of economy in Mainland China and Hong Kong, but also by the drop in demand for paint products after the Tianjin warehouse explosion. In response to the concern over the storage of hazardous chemicals in warehouses, the Chinese Government had launched a nationwide inspection of businesses engaged in dangerous chemicals and explosives. Thus, the customers tended to decrease their stock level in order to reduce the fire risk of dangerous goods. This further affected the sales of our oil-based paints in Mainland China.

Despite the slowdown of economy and the unfortunate accident happened in Tianjin, the coating industry in Mainland China is expected to have a growth rate of about 7.0% to 8.0% in 2015. As compared to Mainland China's GDP growth rate of 6.9% in 2015, the coating industry has a sustainable growth. Therefore, we believed that the drop in revenue of our paint business was only temporary in 2015.

During the year under review, the revised Environmental Protection Law came into effect in Mainland China. It imposed strict provisions to promote environmental protection. The coating industry was inevitably affected. Notwithstanding the stringent law, the Group's factories operating in Mainland China have complied with the relevant laws and regulations. Also, the Group carried out tasks of environmental work for the paint business of the Group with aim of "Prevention First, Protect the Environment, Comply with Laws and Regulations, and Environmental Sustainability".

After a period of rapid industrialization, the Chinese Government focused on the development of its heavy industry, which has led to overcapacities in various sectors. In order to solve the overcapacities in heavy industry and stimulate the economy, President Xi Jinping raised the initiative of jointly building the Silk Road Economic Belt and the 21st Century Maritime Silk Road ("Belt and Road Initiative") in late 2013, which has been launching in 2015. The Belt and Road Initiative is a way for win-win cooperation that promotes common development and prosperity and a road toward peace and friendship by enhancing mutual understanding and trust, and strengthening all-around exchanges. From a medium to long term perspective, the launch of the Belt and Road Initiative is expected to increase the export of manufactured goods to other countries and consume the overcapacities in heavy industries. In order to seize these opportunities, the Group will improve its technical know-how to develop and produce high performance paint products on one hand. On the other hand, the Group will invest in brand building to promote its image and will intensify its sales network in Mainland China.

During the year under review, the drop in the price of crude oil as well as costs of raw material benefited the Group by keeping its product price competitive and improving the gross profit margin in 2015.

Property Investment

Over past decades, the Group has acquired certain investment properties, including residential, industrial and commercial premises in Hong Kong and Mainland China, with the aim to generate stable recurring income and cash flows for long term investment purposes.

Since the late 2008, the U.S. Federal Reserve had slashed interest rates to nearly zero per cent. Such low interest rate led to the continual increase in the value of properties in Hong Kong and Mainland China. After enjoying a long period of low interest rate, the U.S. Federal Reserve finally raised interest rate by 0.25% in December 2015. It ended an extraordinary period of government intervention in the financial markets. As the interest rate was expected to go up soon, the value of residential properties in Hong Kong was declining for about 5.0% – 10.0% in September to December 2015. However, the value of commercial properties was continuing to increase as multinational and China companies were searching for office space in prime office districts for business expansion in Hong Kong.

At the beginning of the year 2015, the Chinese Government launched various control and adjustment policies to support the sustainable development of the real estate market in Mainland China such as the removal of the house purchase restrictions, cutting the benchmark interest rates, lowering the reserve requirement ratio for banks, and reducing tax and minimum down-payments for buyers, which reduced the costs of property purchases and encouraged market demand. The introduction of policies to support both the supply and demand of the domestic property market resulted in a steady increase in both market volume and prices in 2015. First-tier cities showed strong rebound with rapid and significant growth in property prices and volume while overall performance in second-tier cities remained stable. However, the property price and volume of the third- and fourth-tier cities continued to drop due to high inventory levels.

The Group maintained a high occupancy rate of about 95.7% (2014: 96.2%) and recorded rental income (including inter-group rental income) of approximately HK$38.48 million in 2015 as compared to approximately HK$34.19 million in 2014.

In August 2015, the Group had entered into agreements with an independent property developer for the acquisition of two office premises in the first-tier city, Shanghai, the PRC in its pre-sale period at the consideration of approximately RMB20.20 million, which was financed by internal resources of the Group. These properties are expected to be handed over to the Group in late 2016. The Group intends to earn rental income for long term investment purposes.

A planning application under Section 12A of the Town Planning Ordinance ("TPO") to seek the Town Planning Board's ("TPB") approval to convert the usage of the industrial premises in Sai Kung, Hong Kong into hotel and commercial usage was submitted in June 2015. After due consideration, the Group had decided to withdraw the application on 6 November 2015. The Group is exploring other possible future development of these properties in order to maximize the profit to the Group.

The review application under Section 17 of TPO to seek TPB's approval for a proposed columbarium on the Group's existing land located in Au Tau, Yuen Long, Hong Kong was rejected in December 2014. The Group had lodged an appeal to the Appeal Board Panel (Town Planning) under Section 17B of TPO in February 2015. It is expected that the appeal hearing will be scheduled in the second quarter of 2016.

Iron and Steel Trading and Related Investments

The iron and steel industry is one of the major industrial sectors for Mainland China economy. The iron and steel products are grouped together into two subclasses, namely, ferrous metals and non-ferrous metals. The Group is currently trading in ferrous metals and specializes in tinplate trading.

The tinplate industry is at maturity in the world. Globally, there has been a subtle growth over the past decade. According to the relevant research, the metal packaging market can directly manifest market application of tinplate in Mainland China. As tinplate cans are less polluted, resource-saving and easily recyclable compared to other metal packaging, over 90.0% of tinplates are now applying into food, beverages or other packaging industries. Metal packaging is an important part in Mainland China's packaging industry, mainly providing packaging services for food, cans, beverages, grease, chemical, pharmaceutical and cosmetic industries, etc.

As a result of excess production capacity and fierce competition in the tinplate industry, revenue for the year 2015 significantly dropped by approximately HK$113.13 million to approximately HK$212.28 million. The gross profit decreased to approximately HK$6.11 million when compared with that of approximately HK$9.71 million last year. However, the Group still maintained gross profit margin at about 2.9% which is similar to that of 2014.

Available-for-sale Investments

The Group has an effective interest of 11.9% in the cemetery project situated in Sihui, Guangdong Province, the PRC. Its principal activities 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.

The construction work of a martyr memorial cemetery within the memorial park was completed in early 2015. It is believed that this establishment can enhance customer awareness and improve sales in the long run. Guangzhou, Guangdong Province, the PRC is a major target market for the cemetery business.

Four sales offices are established in Guangzhou and two more sales outlets are planning to be set up in Guangzhou in the near future. For the continuous development, two new graveyards are in the process of construction and will be launched into the market once completed. In addition, two more graveyards are planned to be built and the construction work will commence soon.

FINANCIAL REVIEW

The management has been provided with the following key performance indicators ("KPIs") to manage its business, through evaluating, controlling and setting strategies to improve performance. Such KPIs include revenue, gross profit margin, net profit attributable to shareholders, inventory turnover days and trade and bill receivables turnover days.

RESULTS

The Group recorded a profit attributable to the shareholders of the Company of approximately HK$86.35 million for the year when compared with that of approximately HK$149.19 million last year. Revenue for the year amounted to approximately HK$1,102.81 million, representing a decrease of approximately 25.1% when compared with that of last year. Gross profit for the year amounted to approximately HK$353.07 million, representing a decrease of approximately 15.9% when compared with that of last year. The gross profit margin improved by 12.3% from 28.5% in 2014 to 32.0% in 2015.

SEGMENT INFORMATION

Business Segments

Paint Products

Paint operation continued to be the principal business of the Group with revenue of approximately HK$868.00 million, accounting for approximately 78.7% of the Group's total revenue. The revenue dropped significantly by 23.3% when compared with that of last year. The gross profit margin improved by 7.5% to 37.4% in 2015, as resulting from the drop in raw material costs and the strict control on production overheads. The significant decrease in sales revenue rendered a significant decrease in gross profit which resulted in a significant decrease in segment profit. Segment profit for the year amounted to approximately HK$54.64 million, representing a decrease of approximately 55.2% when compared with that of last year.

In consideration of the prevailing market volatilities, the Group will continue to closely monitor market conditions, adopt a prudent approach in the procurement of raw materials, and exercise strict control over the overheads, in order to maintain the gross profit margin of paint products.

Property Investment

Property investment operation reported revenue of approximately HK$22.54 million, accounting for approximately 2.0% of the Group's total revenue. Segment profit for the year increased to approximately HK$62.73 million when compared with that of approximately HK$54.56 million last year. The rise in segment profit was mainly due to the increase in rental income of approximately HK$4.29 million and the increase in fair value gains on the investment properties of approximately HK$3.00 million.

Iron and Steel Trading and Related Investments

Iron and steel operation reported revenue of approximately HK$212.28 million, accounting for approximately 19.2% of the Group's total revenue. Revenue for the year dropped by approximately 34.8% when compared with that of last year, as the iron and steel industry in Mainland China suffered an over-supply as a result of excess production capacity. Segment loss for the year amounted to approximately HK$0.66 million when compared with a profit of approximately HK$11.16 million last year. The decrease in segment result for the year was mainly due to the significant decrease in revenue and the increase in share of loss from an associate of approximately HK$5.50 million this year when compared with that of approximately HK$0.40 million last year. After excluding the share of loss from an associate together with the recovery of amounts due from an associate previously written off, the underlying profit of iron and steel trading business was approximately HK$3.94 million when compared with that of approximately HK$6.94 million last year, representing a decrease of approximately 43.2%.

Geographical segments

All of the Group's businesses are mainly operated in Mainland China and Hong Kong. Revenue from operations in Mainland China and Hong Kong amounted to approximately HK$1,020.32 million (2014: HK$1,367.55 million) and approximately HK$82.44 million (2014: HK$105.39 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$277.39 million as at 31 December 2015 when compared with approximately HK$223.51 million as at 31 December 2014. The total cash and bank balances, including structured deposits, pledged deposits and restricted cash, amounted to approximately HK$512.73 million as at 31 December 2015 when compared with approximately HK$503.24 million as at 31 December 2014. Bank and other borrowings amounted to approximately HK$205.35 million as at 31 December 2015 when compared with approximately HK$194.55 million as at 31 December 2014. 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 2015, approximately HK$189.21 million (92.1%) was payable within one year, approximately HK$5.96 million (2.9%) was payable in the second year and approximately HK$10.18 million (5.0%) was payable in the third to fifth years.

Gearing ratio of the Group which was expressed as a percentage of total bank and other borrowings to adjusted capital (as defined below) was 17.1% as at 31 December 2015 compared with 16.6% as at 31 December 2014. Liquidity ratio of the Group which was expressed as a percentage of current assets to current liabilities was 2.01 times as at 31 December 2015 compared with 1.90 times as at 31 December 2014.

For the year under review, the inventory turnover days[1] was 30 days which was comparable with that of 26 days in 2014. The trade and bills receivables turnover days[2] was 117 days which was comparable with that of 110 days in 2014.

Equity and Net Asset Value

Shareholders' funds of the Group as at 31 December 2015 was approximately HK$1,466.04 million compared with approximately HK$1,339.24 million as at 31 December 2014. 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 2015 was approximately HK$1,203.41 million compared with approximately HK$1,173.48 million as at 31 December 2014. Net assets value per share as at 31 December 2015 was HK$0.77 compared with HK$0.71 as at 31 December 2014.

1. The calculation of inventory turnover days is based on the closing balances divided by the cost of sales and multiplied by 365 days

2. The calculation of trade and bills receivables turnover days is based on the closing balances divided by the revenue and multiplied by 365 days

Contingent liabilities

At 31 December 2015, the banking facilities granted to various subsidiaries subject to guarantees given to banks by the Company were utilised to the extent of approximately HK$214.53 million compared with HK$200.08 million as at 31 December 2014.

Pledge of assets

Certain land and buildings, investment properties, restricted cash and cash deposits with aggregate net book value of HK$637.84 million as at 31 December 2015 (31 December 2014: HK$536.81 million) were pledged as collaterals for bank and other borrowings. At 31 December 2015, total outstanding secured bank and other borrowings amounted to HK$196.58 million compared with HK$189.22 million as at 31 December 2014.

TREASURY MANAGEMENT

Funding and Treasury Policy

The Group adopts a prudent approach on its funding and treasury policy, which aims to maintain an optimal financial position for the Group and minimize its financial risks. The Group regularly reviews the funding requirements to ensure there are adequate financial resources to support its business operations and future investments as and when needed.

Foreign Currency Exposure

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. The Group did not have any hedging instrument to hedge the foreign currency exposure as at 31 December 2015. The Group will continue to monitor its foreign currency exposure and requirements closely and arrange hedging facilities when necessary.

Capital Expenditure

During the year under review, the Group invested a total sum of HK$54.67 million (2014: HK$10.22 million) on the acquisition of property, plant and equipment, investment properties and pre-sales office premises and the construction of new production lines.

HUMAN RESOURCES

Headcount as at 31 December 2015 was 1,115 (31 December 2014: 1,163). Staff costs (excluding directors' emoluments) amounted to HK$170.36 million for the year as compared with HK$170.28 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 a staff option scheme.

PRINCIPAL RISKS AND UNCERTAINITIES

FINANCIAL RISKS

Interest Rate Risk

The Group is exposed to interest rate risk due to changes in interest rates of interest-bearing financial assets and liabilities. Interest-bearing financial assets are mainly deposits with banks which are mostly short term in nature whereas interest-bearing financing liabilities are mainly bank borrowings with primarily floating interest rates. The Group is therefore exposed to interest rate risk. The Group's policy is to obtain the most favourable interest rates available.

Currency Rate Risk

The Group has transactional currency exposures. Those exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. The Group's main operating subsidiaries are located in Hong Kong and Mainland China and the Group's sales and purchases were mainly conducted in Hong Kong Dollars and Renminbi. The Group also has significant investments in Mainland China and its statement of financial position can be affected by movements in the exchange rate between Hong Kong Dollars and Renminbi.

Credit Risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Group maintains an allowance for the estimated loss arising from the inability of its debtors to make the required payments. The Group makes its estimates based on the aging of its receivable balances, debtors' creditworthiness, past payment history and historical write-off experience. If the financial condition of its debtors was to deteriorate so that the actual impairment loss might be higher than expected, the Group would be required to revise the basis of making the allowance.

BUSINESS RISKS

Market Risks

Loss of market share to competitors is the market risk to the Group. The Group's core markets in Hong Kong and Mainland China are subject to increasing competition. Loss of business to competitors resulting from failure to consider changes in Hong Kong and Mainland China could have an adverse effect on the Group's financial position. The Group has specialized sales and marketing teams and is committed to protect existing business with competitive pricing policies and high quality green and safe paint products.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and system or from external events. Responsibility for managing operational risks basically rests with every function at divisional and departmental levels.

Key functions in the Group are guided by their standard operating procedures, safety standards, limits of authority and reporting framework. The management will identify and assess key operational exposures regularly so that appropriate risk response can be taken.

ENVIRONMENTAL POLICIES, PERFORMANCE

During the year, the Group has carried out the following environmental work for the paint business of the Group with the aims of "Prevention First, Protect the Environment, Comply with Laws and Regulations, and Environmental Sustainability":

(1) effective monitoring on air emission and source of water pollution in accordance with the relevant statutory and regulatory requirements;

(2) disposal of hazardous solid waste via qualified waste disposal service providers;

(3) effective use of water and electricity; and

(4) education to the staff on environmental protection laws and regulations to enhance their awareness on environmental protection.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the year, as far as the Group is aware, there was no material breach of or non-compliance with applicable laws and regulations by the Group that has a significant impact on the business and operations of the Group.

EVENTS AFTER THE REPORTING DATE

There is no significant subsequent event after the year end date of 31 December 2015.

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 2015.

CORPORATE GOVERNANCE

For the year ended 31 December 2015, the Company has complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 2015.

On behalf of the Board
Lam Ting Ball, Paul
Chairman

Hong Kong, 23 March 2016

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.