

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 2009

The directors of CNT Group Limited (the “Company”) announce the annual consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2009 together with comparative amounts for the corresponding period in 2008 as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2009

	<i>Notes</i>	2009 HK\$'000	2008 HK\$'000
REVENUE	4	1,026,560	941,817
Cost of sales		(679,455)	(690,358)
Gross profit		347,105	251,459
Other income and gains	4	7,998	17,576
Selling and distribution costs		(169,549)	(143,326)
Administrative expenses		(125,809)	(112,772)
Other expenses, net		(2,461)	(652)
		57,284	12,285

	<i>Notes</i>	2009 HK\$'000	2008 HK\$'000
Fair value gains/(losses) on investment properties, net		6,672	(9,051)
Impairment of properties under development		(4,000)	(14,247)
Impairment of available-for-sale investments		—	(43,914)
Loss on disposal of a subsidiary		—	(2,837)
Finance costs	5	(6,333)	(6,051)
Share of profits and losses of associates		<u>864</u>	<u>873</u>
 PROFIT/(LOSS) BEFORE TAX	6	 54,487	 (62,942)
 Income tax expenses	7	 <u>(22,219)</u>	 <u>(8,237)</u>
 PROFIT/(LOSS) FOR THE YEAR		 <u>32,268</u>	 <u>(71,179)</u>
 PROFIT/(LOSS) ATTRIBUTABLE TO:			
Owners of the parent		32,406	(71,515)
Minority interests		<u>(138)</u>	<u>336</u>
		<u>32,268</u>	<u>(71,179)</u>
 EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic and diluted		<u>HK2.06 cents</u>	<u>(HK4.54 cents)</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2009

	2009 HK\$'000	2008 HK\$'000
PROFIT/(LOSS) FOR THE YEAR	<u>32,268</u>	<u>(71,179)</u>
OTHER COMPREHENSIVE INCOME/(LOSS)		
Deferred taxation included in leasehold land and building revaluation reserve	—	351
Exchange differences on translation of foreign operations	<u>(199)</u>	<u>12,186</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	<u>(199)</u>	<u>12,537</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	<u>32,069</u>	<u>(58,642)</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO:		
Owners of the parent	32,207	(59,202)
Minority interests	<u>(138)</u>	<u>560</u>
	<u>32,069</u>	<u>(58,642)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2009

	<i>Notes</i>	2009 HK\$'000	2008 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		316,697	292,871
Investment properties		128,725	121,517
Properties under development		28,000	32,000
Prepaid land premiums		22,248	21,321
Intangible asset		2,850	3,000
Interests in associates		3,180	3,461
Available-for-sale investments		123,163	123,163
Deposits for purchases of items of property, plant and equipment		9,231	10,976
Long term receivable		—	757
Net pension scheme assets		1,990	2,199
Total non-current assets		636,084	611,265
CURRENT ASSETS			
Inventories		74,782	61,934
Trade and bills receivables	9	217,254	159,028
Prepayments, deposits and other receivables		27,121	13,904
Due from an associate		—	1,523
Equity investment at fair value through profit or loss		86	31
Pledged deposits		5,097	—
Cash and cash equivalents		139,925	121,767
Total current assets		464,265	358,187
CURRENT LIABILITIES			
Trade and bills payables	10	147,445	85,249
Other payables and accruals		110,182	92,052
Due to an associate		1,600	—
Interest-bearing bank and other borrowings		98,230	82,971
Tax payable		12,873	6,336
Total current liabilities		370,330	266,608
NET CURRENT ASSETS		93,935	91,579

	2009	2008
<i>Notes</i>	HK\$'000	HK\$'000
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>730,019</u>	<u>702,844</u>
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	50,858	60,461
Deferred tax liabilities	14,884	9,884
Deferred income	<u>4,474</u>	<u>4,765</u>
Total non-current liabilities	<u>70,216</u>	<u>75,110</u>
Net assets	<u>659,803</u>	<u>627,734</u>
EQUITY		
Equity attributable to owners of the parent		
Issued capital	157,367	157,367
Reserves	<u>498,380</u>	<u>466,173</u>
	655,747	623,540
Minority interests	<u>4,056</u>	<u>4,194</u>
Total equity	<u>659,803</u>	<u>627,734</u>

Notes to Consolidated Financial Statements

1. Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, certain buildings, 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 policy and disclosures

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

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of HKFRSs</i> and HKAS 27 <i>Consolidated and Separate Financial Statements — Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i>
HKFRS 2 Amendments	Amendments to HKFRS 2 <i>Share-based Payment — Vesting Conditions and Cancellations</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures — Improving Disclosures about Financial Instruments</i>
HKFRS 8	<i>Operating Segments</i>
HKFRS 8 Amendment*	Amendment to HKFRS 8 <i>Operating Segments — Disclosure of information about segment assets</i> (early adopted)
HKAS 1 (Revised)	<i>Presentation of Financial Statements</i>
HKAS 18 Amendment*	Amendment to Appendix to HKAS 18 <i>Revenue — Determining whether an entity is acting as a principal or as an agent</i>
HKAS 23 (Revised)	<i>Borrowing Costs</i>
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation</i> and HKAS 1 <i>Presentation of Financial Statements — Puttable Financial Instruments and Obligations Arising on Liquidation</i>
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 <i>Reassessment of Embedded Derivatives</i> and HKAS 39 <i>Financial Instruments: Recognition and Measurement — Embedded Derivatives</i>

HK(IFRIC)-Int 13	<i>Customer Loyalty Programmes</i>
HK(IFRIC)-Int 15	<i>Agreements for the Construction of Real Estate</i>
HK(IFRIC)-Int 16	<i>Hedges of a Net Investment in a Foreign Operation</i>
HK(IFRIC)-Int 18	<i>Transfers of Assets from Customers</i> (adopted from 1 July 2009)
Improvements to HKFRSs (October 2008)	Amendments to a number of HKFRSs

* Included in *Improvements to HKFRSs 2009* (as issued in May 2009)

Other than as further explained below regarding the impact of HKFRS 7 Amendments, HKFRS 8 and HKAS 1 (Revised), the adoption of these new and revised HKFRSs has had no significant financial effect on the financial statements and there have been no significant changes to the accounting policies applied in the financial statements.

The principal effects of adopting HKFRS 7 Amendments, HKFRS 8 and HKAS 1 (Revised) are as follows:

(a) *Amendments to HKFRS 7 Financial Instruments: Disclosures — Improving Disclosures about Financial Instruments*

The HKFRS 7 Amendments require additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by sources of inputs using a three-level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, a reconciliation between the beginning and ending balances is now required for level 3 fair value measurements, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management.

(b) *HKFRS 8 Operating Segments*

HKFRS 8, which replaces HKAS 14 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group concluded that the operating segments determined in accordance with HKFRS 8 are the same as the business segments previously identified under HKAS 14. These revised disclosures, including the related revised comparative information, are shown in note 3.

The Group has early adopted in the financial statements the Amendment to HKFRS 8 issued in *Improvements to HKFRSs 2009* which clarifies that segment assets need only to be reported when those assets are included in measures that are used by the chief operating decision maker.

(c) HKAS 1 (Revised) *Presentation of Financial Statements*

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present two 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 the financial statements.

HKFRS 1 (Revised)	<i>First-time Adoption of Hong Kong Financial Reporting Standards</i> ¹
HKFRS 1 Amendments	<i>Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards — Additional Exemptions for First-time Adopters</i> ²
HKFRS 2 Amendments	<i>Amendments to HKFRS 2 Share-based Payment — Group Cash-settled Share-based Payment Transactions</i> ²
HKFRS 3 (Revised)	<i>Business Combinations</i> ¹
HKFRS 9	<i>Financial Instruments</i> ⁶
HKAS 24 (Revised)	<i>Related Party Disclosures</i> ⁵
HKAS 27 (Revised)	<i>Consolidated and Separate Financial Statements</i> ¹
HKAS 32 Amendment	<i>Amendment to HKAS 32 Financial Instruments: Presentation — Classification of Rights Issues</i> ³
HKAS 39 Amendment	<i>Amendment to HKAS 39 Financial Instruments: Recognition and Measurement — Eligible Hedged Items</i> ¹
HK(IFRIC)-Int 14 Amendments	<i>Amendments to HK(IFRIC)-Int 14 Prepayments of a Minimum Funding Requirement</i> ⁵
HK(IFRIC)-Int 17	<i>Distributions of Non-cash Assets to Owners</i> ¹
HK(IFRIC)-Int 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i> ⁴
Amendments to HKFRS 5 included in <i>Improvements to HKFRSs</i> issued in October 2008	<i>Amendments to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations — Plan to Sell the Controlling Interest in a Subsidiary</i> ¹

HK Interpretation 4 *Leases — Determination of the Length of Lease Term in respect of*
(Revised in December *Hong Kong Land Leases*²
2009)

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2009* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 2, HKAS 38, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16 are effective for annual periods beginning on or after 1 July 2009 while the amendments to HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 36 and HKAS 39 are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard or interpretation.

¹ Effective for annual periods beginning on or after 1 July 2009

² Effective for annual periods beginning on or after 1 January 2010

³ Effective for annual periods beginning on or after 1 February 2010

⁴ Effective for annual periods beginning on or after 1 July 2010

⁵ Effective for annual periods beginning on or after 1 January 2011

⁶ Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

3. Operating segment information

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

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

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

Segment assets exclude pledged deposits, cash and cash equivalents, net pension scheme assets and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude 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 2009	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	935,891	6,683	83,986	—	1,026,560
Intersegment sales	—	8,088	—	—	8,088
Other income and gains	<u>3,900</u>	<u>7,366</u>	<u>2,665</u>	<u>109</u>	<u>14,040</u>
	939,791	22,137	86,651	109	1,048,688
Reconciliation:					
Elimination of intersegment sales					<u>(8,088)</u>
Total revenue					<u><u>1,040,600</u></u>
Segment results	79,874	8,129	(634)	(1,656)	85,713
Reconciliation:					
Elimination of intersegment results					7,399
Interest income					630
Finance costs					(6,333)
Corporate and other unallocated expenses					<u>(32,922)</u>
Profit before tax					<u><u>54,487</u></u>
Segment assets	488,004	327,781	8,844	129,145	953,774
Reconciliation:					
Elimination of intersegment receivables					(1,305)
Corporate and other unallocated assets					<u>147,880</u>
Total assets					<u><u>1,100,349</u></u>

Year ended 31 December 2009	Paint products HK\$'000	Property investment HK\$'000	Iron and steel trading HK\$'000	Others HK\$'000	Total HK\$'000
Segment liabilities	252,509	5,483	3,023	453	261,468
<u>Reconciliation:</u>					
Elimination of intersegment payables					(1,305)
Corporate and other unallocated liabilities					<u>180,383</u>
Total liabilities					<u>440,546</u>
Other segment information:					
Share of profits and losses of associates	—	1,073	—	(209)	864
Interests in associates	—	1,703	—	1,477	3,180
Depreciation	16,303	5,235	1	—	21,539
Corporate and other unallocated					<u>73</u>
					<u>21,612</u>
Amortisation of an intangible asset	—	—	—	150	150
Capital expenditure	45,139	1,199	—	—	46,338
Corporate and other unallocated					<u>14</u>
					<u>46,352*</u>
Fair value gains on investment properties, net	—	(6,672)	—	—	(6,672)
Impairment of properties under development	—	4,000	—	—	4,000
Impairment of amounts due from an associate	—	1,585	—	—	1,585
Impairment of trade receivables	4,737	—	—	—	4,737
Write-down of inventories to net realisable value	<u>7,892</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>7,892</u>

Year ended 31 December 2008	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	803,405	6,649	131,763	—	941,817
Intersegment sales	—	7,052	—	—	7,052
Other income and gains	<u>6,326</u>	<u>1,432</u>	<u>6,525</u>	<u>1,597</u>	<u>15,880</u>
	809,731	15,133	138,288	1,597	964,749
<u>Reconciliation:</u>					
Elimination of intersegment sales					<u>(7,052)</u>
Total revenue					<u>957,697</u>
Segment results	27,225	(20,909)	1,711	(43,628)	(35,601)
<u>Reconciliation:</u>					
Elimination of intersegment results					10,129
Interest income					1,696
Finance costs					(6,051)
Corporate and other unallocated expenses					<u>(33,115)</u>
Loss before tax					<u>(62,942)</u>
Segment assets	375,216	330,154	11,007	129,027	845,404
<u>Reconciliation:</u>					
Elimination of intersegment receivables					(1,420)
Corporate and other unallocated assets					<u>125,468</u>
Total assets					<u>969,452</u>
Segment liabilities	173,733	5,769	5,429	244	185,175
<u>Reconciliation:</u>					
Elimination of intersegment payables					(1,420)
Corporate and other unallocated liabilities					<u>157,963</u>
Total liabilities					<u>341,718</u>

Year ended 31 December 2008	Paint products	Property investment	Iron and steel trading	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other segment information:					
Share of profits and losses of associates	—	903	—	(30)	873
Interests in associates	—	3,192	—	269	3,461
Depreciation	13,432	4,718	1	—	18,151
Corporate and other unallocated					<u>74</u>
					<u>18,225</u>
Capital expenditure	38,403	13,732	5	3,000	55,140
Corporate and other unallocated					<u>113</u>
					<u>55,253*</u>
Fair value losses on investment properties	—	9,051	—	—	9,051
Impairment of properties under development	—	14,247	—	—	14,247
Impairment of available-for-sale investments	—	—	—	43,914	43,914
Loss on disposal of a subsidiary	—	2,837	—	—	2,837
Write-back of impairment of amounts due from an associate	—	—	—	(1,523)	(1,523)
Impairment of trade receivables	2,748	—	—	—	2,748
Write-down of inventories to net realisable value	<u>1,999</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,999</u>

* Capital expenditure consists of additions to property, plant and equipment, deposits for purchase of items of property, plant and equipment, properties under development, investment properties and intangible asset.

Geographical information:

(a) Revenue from external customers

	2009	2008
	HK\$'000	HK\$'000
Hong Kong	90,778	91,414
Mainland China	935,766	850,386
Other countries	16	17
	<u>1,026,560</u>	<u>941,817</u>

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

(b) Non-current assets

	2009 HK\$'000	2008 HK\$'000
Hong Kong	302,036	300,695
Mainland China	190,659	167,413
Other countries	<u>18,236</u>	<u>17,038</u>
	<u>510,931</u>	<u>485,146</u>

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

No customer accounted for 10% or more of the Group's total revenue for the years ended 31 December 2008 and 2009.

4. Revenue, other income and gains

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

	2009 HK\$'000	2008 HK\$'000
Revenue		
Sale of paint products and related services	935,891	803,405
Sale of iron and steel products	83,986	131,763
Gross rental income from investment properties	<u>6,683</u>	<u>6,649</u>
	<u>1,026,560</u>	<u>941,817</u>
Other income		
Bank interest income	601	1,648
Interest income from a long term receivable	29	48
Commission income	2,202	6,147
Government grants received from Mainland China authorities	2,324	2,135
Recognition of deferred income	291	287
Others	<u>1,648</u>	<u>3,687</u>
	<u>7,095</u>	<u>13,952</u>
Gains		
Write-back of impairment of amounts due from an associate	—	1,523
Gain on disposal of items of property, plant and equipment, net	—	316
Foreign exchange differences, net	848	1,785
Fair value gain on an equity investment at fair value through profit or loss - held for trading	<u>55</u>	<u>—</u>
	<u>903</u>	<u>3,624</u>
Total other income and gains	<u>7,998</u>	<u>17,576</u>

5. **Finance costs**

	2009 HK\$'000	2008 HK\$'000
Interest on bank loans and other loans wholly repayable within five years	4,697	4,380
Interest on other loans	1,529	1,557
Interest on finance leases	107	114
	<u>6,333</u>	<u>6,051</u>

6. **Profit/(loss) before tax**

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

	2009 HK\$'000	2008 HK\$'000
Cost of inventories sold	671,256	690,358
Cost of services provided	8,199	—
Depreciation	21,612	18,225
Amortisation of an intangible asset	150	—
Loss on disposal of items of property, plant and equipment, net	1	—
Write-off of items of property, plant and equipment	768	470
Impairment of amounts due from an associate	1,585	—
Fair value loss on an equity investment at fair value through profit or loss - held for trading	—	88
Write-down of inventories to net realisable value	7,892	1,999
Impairment of trade receivables	<u>4,737</u>	<u>2,748</u>

7. **Income tax**

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 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.

	2009 HK\$'000	2008 HK\$'000
Group:		
Current - Hong Kong		
Charge for the year	—	273
Overprovision in prior years	(11)	—
Current - Elsewhere		
Charge for the year	17,230	8,342
Deferred	<u>5,000</u>	<u>(378)</u>
	<u>22,219</u>	<u>8,237</u>

The share of tax attributable to associates amounting to HK\$208,000 (2008: HK\$230,000) is included in "Share of profits and losses of associates" in the consolidated income statement.

8. Earnings/(loss) per share attributable to ordinary equity holders of the parent

The calculation of basic earnings/(loss) per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent of HK\$32,406,000 (2008: loss of HK\$71,515,000) and the weighted average number of ordinary shares of 1,573,671,409 (2008: 1,573,671,409) in issue during the year.

There was no diluting event existed during the years ended 31 December 2009 and 2008.

9. 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 outstanding 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. Trade and bills receivables are non-interest-bearing.

An aged analysis of the trade and bills receivables (that are not considered to be impaired) as at the end of the reporting period, based on the payment due date and net of impairment, is as follows:

	2009 HK\$'000	2008 HK\$'000
Neither past due nor impaired	156,386	131,814
Within three months	56,407	22,535
Over three months and within six months	1,180	2,943
Over six months	<u>3,281</u>	<u>1,736</u>
	<u>217,254</u>	<u>159,028</u>

10. 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:

	2009 HK\$'000	2008 HK\$'000
Within three months	143,638	78,504
Over three months and within six months	3,807	6,385
Over six months	<u>—</u>	<u>360</u>
	<u>147,445</u>	<u>85,249</u>

The trade payables are non-interest-bearing and are normally settled on 90-day terms.

11. Comparative amounts

As further explained in note 2.1, due to the adoption of new and revised HKFRSs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified and restated to conform with the current year's presentation and accounting treatment.

DIVIDEND

The directors do not recommend the payment of any dividend for the year ended 31 December 2009 (2008: Nil).

CHAIRMAN'S STATEMENT

In 2009, a series of extraordinary stimulus packages were implemented by governments worldwide to cope with a financial crisis. With the launch of the Chinese Government Economic Stimulus Package, the Group continued to gain growth momentum in Mainland China as a result of the growth in the domestic China market. The Group's revenue for the year amounted to approximately HK\$1,026.56 million, representing an increase of approximately 9.0% when compared with that of last year. The growth was mainly attributable to the increase in revenue by HK\$132.49 million to approximately HK\$935.89 million from the Group's paint operation.

RESULTS

The Group recorded a profit attributable to the equity owners of the parent company for the year of approximately HK\$32.41 million, as compared to a loss of approximately HK\$71.52 million last year.

Revenue for the year amounted to approximately HK\$1,026.56 million, an increase of approximately HK\$84.74 million compared with last year. Gross profit increased by approximately 38.0% when compared with that of last year to approximately HK\$347.11 million. The increase was mainly due to the increase in gross profit of paint operations.

OPERATIONS

Paint products

Revenue for the year amounted to approximately HK\$935.89 million, representing an increase of approximately 16.5% when compared with that of last year. The operation focused its business on the Mainland China market and achieved an increase of approximately 18.5% in revenue over that of 2008. The Group will continue to focus

on Mainland China market. Operating profit for the year amounted to approximately HK\$79.87 million representing an increase of approximately 193.4% when compared with that of last year. This was mainly due to the implementation of cost control measures in production together with raw material costs reduction during the year.

The Group has started to set up new manufacturing lines through the factory and buildings to be constructed on our existing land located in Shanghai, PRC. It is expected that trial production will commence in late 2010. The estimated total costs for the new manufacturing lines and the new factory and buildings, including the respective land use right, will be approximately HK\$56.68 million, which will be financed partly by internal resources of the Group and partly by bank loans and facilities. The Group believes that the new manufacturing lines and the new factory and buildings would enable the Group to enhance its overall production capacity and to effectively control its manufacturing and production costs to cope with the future business expansion of the Group.

During the year, the Group participated in the 44th Hong Kong Brands and Product Expo (“Expo”) in Hong Kong to promote the brands of our paint products. In the Expo, the Group has launched a new product namely “CP88” which is a high quality multi-purpose anti-rust lubricant oil.

Property investment

Revenue for the year amounted to approximately HK\$6.68 million which was nearly same as last year. Operating profit for the year amounted to approximately HK\$8.13 million compared with a loss of approximately HK\$20.91 million last year. The Group has recorded a net increase in fair value of approximately HK\$2.67 million on our investment properties and properties under development this year as compared to a decrease in fair value of approximately HK\$23.30 million last year.

Iron and steel trading

Revenue for the year amounted to approximately HK\$83.99 million, representing a decrease of approximately 36.3% when compared with that of last year. Operating loss for the year amounted to approximately HK\$0.63 million as compared to a profit of approximately HK\$1.71 million last year. The decrease in revenue and commission income during the year resulted in operating loss for the year.

Available-for-sale investments

The Group has an effective interest of 11.7% in the cemetery project situated in Sihui, Guangdong Province, the PRC. The principal activities of which are the development, construction, management and operation of a cemetery. The main types

of products for the cemetery are outdoor grave lots, ordinary columbarium niches and special columbarium niches. There are six sales offices established in Hong Kong, Guangzhou, Foshan, Zhaoqing and Sihui for marketing purpose. Promotion campaigns have been launched, including regular visits of the cemetery, blessing ceremonies in the cemetery to boost publicity.

OUTLOOK

Looking ahead, it is expected that 2010 will be challenging but full of opportunities. While the PRC government will continue to maintain the continuation and stability of its macro-economic policies, it will further enhance the quality and efficiency of economic growth, which will be favorable to the stable recovery of the economy. The PRC will continue to lead the world in economic recovery and its domestic consumer market will continue to grow at a fast pace.

The Group will strive to enhance its competitive edge by strengthening marketing channels and sales networks and at the same time developing new products with technological innovation and environment-friendly. With reference to our prestigious brand, unmatched quality, innovated technology and efficient production scale, the Group is confident to becoming a leading manufacturer of a high quality green and safe paint products.

Lastly, the Group is deeply saddened by the demise of our Honorary Chairman, Mr. Tsui Tsin Tong in Beijing on 2 April 2010. Mr. Tsui made invaluable contributions and provided great leadership and guidance to the establishment and development of the Group during the past 25 years. Since the Group is long standing and well-established, there will be no significant impact on its operation and development.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

The Group recorded a profit attributable to equity owners of the parent company of approximately HK\$32.41 million for the year as compared to a loss of approximately HK\$71.52 million last year. Revenue for the year amounted to approximately HK\$1,026.56 million, representing an increase of approximately 9.0% when compared with that of last year. Gross profit for the year amounted to approximately HK\$347.11 million, representing an increase of approximately 38.0% when compared with that of last year. The increase in gross profit was mainly due to the combined effect of the growth in sales revenue and the implementation of cost-saving measures from paint operations. Together with the net fair value gains on our investment properties and properties under development, the Group's result turned into profit this year.

SEGMENT INFORMATION

Business segments

Paint operation continues to be the principal business of the Group with a revenue of approximately HK\$935.89 million accounting for approximately 91.2% of the Group's total revenue. It also represents an increase of approximately 16.5% when compared with that of last year. Due to the increase in revenue and gross profit for the year, segment result for the year amounted to approximately HK\$79.87 million representing an increase of approximately 193.4% when compared with that of last year. This was mainly due to the implementation of cost control measures in production together with raw material costs reduction during the year.

Property investment operation reported a revenue of approximately HK\$6.68 million, representing approximately 0.7% of the Group's total revenue. Segment result for the year amounted to a profit of approximately HK\$8.13 million compared with a loss of approximately HK\$20.91 million last year. This was mainly due to the net increase in fair value of approximately HK\$2.67 million on our investment properties and properties under development this year.

Iron and steel operation reported a revenue of approximately HK\$83.99 million, representing a decrease of approximately 36.3% when compared with that of last year. This was mainly due to drop in demand in iron and steel products by the ultimate overseas customers.

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\$935.77 million (2008: HK\$850.39 million) and approximately HK\$90.78 million (2008: HK\$91.41 million) respectively.

LIQUIDITY AND FINANCIAL INFORMATION

The Group's business operation is generally financed by its internal funding and bank borrowings. Total cash balances amounted to approximately HK\$145.02 million as at 31 December 2009 compared with approximately HK\$121.77 million as at 31 December 2008. Bank and other borrowings amounted to approximately HK\$149.09 million as at 31 December 2009 compared with approximately HK\$143.43 million as at 31 December 2008. The Group's bank and other borrowings mainly bear interest at floating rates. Of the Group's total bank and other borrowings as at 31 December

2009, approximately HK\$98.23 million (65.9%) is payable within one year, approximately HK\$5.74 million (3.8%) is payable in the second year, approximately HK\$16.24 million (10.9%) is payable in the third to fifth years and the remaining balance of HK\$28.88 million (19.4%) is 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 result 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 24.8% as at 31 December 2009 compared with 25.2% as at 31 December 2008. Liquidity ratio of the Group which is expressed as a percentage of current assets to current liabilities was 1.25 times as at 31 December 2009 compared with 1.34 times as at 31 December 2008.

Equity and net assets value

Shareholders' funds of the Group as at 31 December 2009 was approximately HK\$655.75 million compared with approximately HK\$623.54 million as at 31 December 2008. Adjusted capital of the Group, being shareholders' funds less the unrealized leasehold land and building revaluation reserve and investment property revaluation reserve, as at 31 December 2009 was approximately HK\$600.46 million compared with approximately HK\$568.25 million as at 31 December 2008. Net assets value per share as at 31 December 2009 was HK\$0.42 compared with HK\$0.40 as at 31 December 2008.

Contingent liabilities

At 31 December 2009, guarantee issued by the Company to bankers to secure general banking facilities granted to various subsidiaries outstanding as at 31 December 2009 amounted to HK\$80.27 million compared with HK\$66.89 million as at 31 December 2008.

Pledge of assets

Certain land and buildings, investment properties, trade receivables and cash deposits with aggregate net book value of HK\$463.57 million (31 December 2008:

HK\$444.23 million) were pledged as collaterals for bank and other borrowings. At 31 December 2009, total outstanding secured bank and other borrowings amounted to HK\$126.69 million as compared with HK\$132.64 million as at 31 December 2008.

STAFF

Headcount as at 31 December 2009 was 1,532 (31 December 2008: 1,182). Staff costs (excluding directors' emoluments) amounted to HK\$126.98 million for the year as compared with HK\$115.67 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 annual consolidated results of the Group for the year ended 31 December 2009 have been reviewed by the audit committee.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the year ended 31 December 2009, except that the non-executive directors are not appointed for a specific term. According to the Company's bye-laws, the non-executive directors are subject to re-election at least once every three years.

On behalf of the board
Lam Ting Ball, Paul
Chairman

Hong Kong, 15 April 2010

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