CNT GROUP LIMITED
北海集團有限公司

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

Annual Report 2017

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Lam Ting Ball, Paul *(Chairman)*
Chong Chi Kwan *(Managing Director)*

Non-executive Directors

Tsui Ho Chuen, Philip
Chan Wa Shek
Zhang Yulin
Hung Ting Ho, Richard

Independent Non-executive Directors

Wu Hong Cho
Danny T Wong
Zhang Xiaojing

AUDIT COMMITTEE

Wu Hong Cho *(AC Chairman)*
Danny T Wong
Chan Wa Shek

REMUNERATION COMMITTEE

Wu Hong Cho *(RC Chairman)*
Lam Ting Ball, Paul
Danny T Wong

COMPANY SECRETARY

Fok Pik Yi, Carol

AUDITORS

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

SHARE REGISTRARS

Hong Kong

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

Bermuda

Conyers Corporate Services (Bermuda) Limited
Clarendon House, 2 Church Street
Hamilton HM 11, Bermuda

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited
DBS Bank (Hong Kong) Limited

REGISTERED OFFICE

Clarendon House, 2 Church Street
Hamilton HM 11, Bermuda

PRINCIPAL OFFICE

Unit E, 28th Floor, CNT Tower, 338 Hennessy Road
Wanchai, Hong Kong

WEBSITE

www.cntgroup.com.hk

Chairman's Statement

Upon the completion of the spin-off and the global offering of CPM Group Limited ("CPM") on main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 10 July 2017, the Group has put its resources and focus on the development of its investment property business, trading business and other business.

RESULTS

Profit for the year of the Group for the year ended 31 December 2017 amounted to approximately HK$46.92 million (2016: approximately HK$87.68 million), representing a decrease of 46.5% when compared with last year. As a result of the completion of the spin-off and the global offering of CPM and the increase in non-controlling interests of the Company, the Group recorded a profit attributable to the shareholders of the Company for the year ended 31 December 2017 of approximately HK$37.52 million (2016: approximately HK$87.67 million), representing a decrease of 57.2% when compared with last year.

Revenue for the year amounted to approximately HK$1,228.07 million, representing an increase of 5.5% when compared with last year. Gross profit decreased by approximately HK$40.66 million, representing a decrease of 10.5% when compared with last year.

PROSPECTS

Looking forward, the operating environment remains challenging under the current macro-environment. Financial markets may have greater volatility under the environment of rising interest rates and amid the warnings of possible international trade wars. On the other hand, China achieved a slight gross domestic product ("GDP") growth for 2017 at about 6.9%, or 0.2% higher than 2016. It is expected that the stable political environment, ongoing improvement in household disposable income and increasing urban population will support the growth of Mainland China economy. The Group has taken a proactive approach in its attempt to turn challenges into opportunities.

Paint Products

China's economy has accelerated a healthy and synchronous growth in 2017. The paint and coating market in Mainland China grew at a rate of 7.0% in terms of volume from 2016. It experienced good growth in 2017 with architectural paint and coating products leading the way in terms of China's paint and coating market growth. The real estate industry grew by approximately 7.7% and was slightly faster than the GDP growth rate in Mainland China. It is notable that industrial paint and coating products also experienced good growth but it was not as high as that of architectural paint and coating products. In general, the growth of paint and coating market in Mainland China is expected to continue in 2018, although at a slightly slower pace than in 2017.

Chairman's Statement

PROSPECTS (continued)

Paint Products (continued)

CPM can achieve future growth through the following main drivers of paint and coating markets in Mainland China:

(1) Accelerating the expansion of water-based industrial paint and coating products

The water-based paint and coating market in Mainland China was rapidly expanded in 2017. The production volume of water-based paint and coating products increased by 22.1% to 2.32 million tonnes in 2017 as compared to 1.90 million tonnes in 2016. Over the past few years, water-based architectural paint and coating products have been used instead of solvent-based architectural coatings. But their proportions in wood coatings, automotive coatings and industrial paint and coating products are still relatively low. With the increasing application scope of water-based paint and coating products, it is predicted that China's water-based paint and coating products will account for up to 20.0% of the market share within five years. In the next five years, the production volume of water-based paint and coating products will grow at an average rate of 23.0%, and it is predicted that the output of water-based paint and coating products in Mainland China in 2018 will be approximately 2.84 million tonnes.

(2) Strengthening our solid brand presence and foundation

Strengthening the presence of our paint and coating activities in Southern China and Eastern China is a key element of CPM's expansion strategy in Mainland China. In addition, CPM is commited to the philosophy of "quality, consumer and environmental protection first" (品質為上、客戶為先、環保為念) as its core values. CPM believes that strong brand recognition and marketing efforts are crucial to the success of its business and therefore places strong emphasis on marketing and promotion of their brands and products. As people are becoming more aware of environmental protection, paint and coating products will surely move towards the trend of health, environmental protection, and better quality.

(3) Synergies with the acquisition opportunities in the region of Southern China

Apart from the expansion strategy in the retail and wholesale markets, CPM also targets on expansion into the manufacturing sectors which had contributed a large proportion of China's GDP, in particular the furniture industry and automotive industry. CPM considered that the consolidation will enable its fast penetration into the furniture industry and automotive industry as well as strengthen its presence in the paint and coatings market in Southern China. CPM is looking for acquisition opportunities with advantages in geographical location and logistics infrastructure, and with suitable the industrial structure and comprehensive supporting facilities.

Chairman's Statement

PROSPECTS (continued)

Property Investment

Mainland China's property sector is expected to grow steadily and be driven by robust end user demand across various city tiers. The increase in urban population stimulates the need for new home purchases and home upgrades. The Group is positive about the long-term prospect of the property market in Mainland China.

Hong Kong Government has taken steps to implement the vision of the Belt and Road Initiative and the Greater Bay Area. The Framework Agreement on Deepening Guangdong-Hong Kong-Macao Co-operation in the Development of the Bay Area establishes the key cooperation areas including promoting infrastructure connectivity and jointly building a quality living circle to provide an ideal place for living, working and travelling. Hong Kong has grasped the chance to play an irreplaceable role in the development of the Bay Area. Hong Kong will be benefited from the development in real estates, transportation, trade and tourism.

The Group will continuously review the portfolio of its investment properties to maintain a constant stream of revenue.

In the coming year, the Group will continue to study the feasibility of broadening the portfolio of its 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

The Group trades tinplate, which is the main raw material for its tinplate packaging and is mainly used to produce threepiece beverage cans, food cans (including milk powder cans) and others. The Chinese Government has implemented strict rules in environmental protection and the corresponding compliance costs will be increased to enhance environmental protection investment. Therefore, the operating environment in iron & steel industry is full of challenges. The Group will take a proactive approach to face this challenging operating environment.

While maintaining its existing core business of paint operation through CPM, the Group continues to invest in iron and steel trading business as well as property investment in order to diversify and broaden its investment portfolio.

Management Discussion and Analysis

BUSINESS REVIEW

Paint Products

CPM's products can be broadly divided into industrial paint and coating products, architectural paint and coating products and general paint and coating and ancillary products. Industrial paint and coating products are used in a wide range of applications such as furniture painting, manufacturing and surface finishing for different kinds of materials, and are being used by manufacturers, renovation contractors for property and infrastructure projects and household users. Architectural paint and coating products are used for wall, floor and exterior parts of buildings. CPM's architectural paint and coating products primarily focus on the commercial and residential construction and maintenance markets. General paint and coating and ancillary products such as thinner, enamels and anti-mold agents and solvent agents can be used for both architectural and industrial purposes.

Industrial paint and coating products, architectural paint and coating products and general paint and coating and ancillary products accounted for 55.8% (2016: 56.3%), 20.9% (2016: 20.8%) and 23.3% (2016: 22.9%) of the total revenue of paint business respectively in 2017. CPM continues to focus on Mainland China market which contributed to approximately 91.3% (2016: 91.5%) of the total revenue of our paint business.

The increase in the revenue from the sales of industrial paint and coating products, architectural paint and coating products and general paint and coating and ancillary products for the year under review were 5.4%, 6.7% and 7.9% respectively. The increase was primarily due to the expansion of paint and coating market in Mainland China with the industry growth rate at 7.0%. In the meantime, CPM continued to make the appropriate adjustment in its pricing policy, appoint new distributors with streamlined distribution network, and increase the direct sales to manufacturers and renovation contractors for property and infrastructure projects in Hong Kong and Mainland China.

Management Discussion and Analysis

BUSINESS REVIEW (continued)

Paint Products (continued)

The segment profit for the year amounted to approximately HK$21.65 million, representing significant decrease of 68.9% when compared with 2016. The significant decrease in segment profit in 2017 was due to the significant decrease in the gross profit margin of the paint products which was primarily due to the following reasons:

(1) Substantial increases in the cost of raw materials

The raw materials used by CPM include resin, solvent and other materials, of which resin and solvent accounted for a significant portion of the total cost of raw materials. As the downstream products of crude oil, their market prices generally correlate with the prices of crude oil. Since the beginning of the second half of 2017, the international prices of crude oil have started to increase notably as opposed to the declining trend since 2014. The oil price maintained an increasing trend throughout the second half of 2017 and closed with the highest level at the end of 2017 since 2014.

Closing at the said highest level of crude oil price also happened at the time when CPM was making most of its sales during the year. CPM's sales is affected by seasonal factors with the majority of its sales recorded in the second half of the year. Hence, the purchase of the raw materials in the corresponding period does have an over-weighting effect on the cost of raw materials for the whole year, which increased the cost of sales significantly.

As a result of the said price increase in resin and solvents and other factors, the cost of raw materials increased significantly by 19.1% to HK$601.99 million in 2017 as compared to HK$505.61 million in 2016. The increase in the cost of raw materials had adversely affected the gross profit margin of CPM in 2017, causing it to drop from 37.1% in 2016 to 30.9% in 2017.

(2) Curtailment of the number of suppliers of resin and solvent in Mainland China

During the second half of 2017, numerous resin and solvent suppliers of CPM in Guangdong Province in the PRC ceased their production activities due to a number of reasons. As reported in news media, one of the reasons was that the Chinese government has implemented stringent environmental protection policies in around August 2017 which resulted in the closure or relocation of businesses that may emit air pollutants or otherwise contain dangerous particles/components in the production process. These policies have led to the closure of smaller suppliers of resin and solvent, which resulted in the reduction of the supply and the increase in the prices of the said raw materials. This factor further increased the cost of raw materials and has an adverse impact on the Group's gross profit margin as well as the gross profit for the whole year of 2017.

Management Discussion and Analysis

BUSINESS REVIEW (continued)

Paint Products (continued)

(3) Adjustment in the pricing policy

CPM adjusted the selling price of paint and coating products from time to time taking into consideration the production cost as well as the price levels of similar products offered by its competitors in the markets. The purchasing price of major raw materials had been increased significantly during the second half of 2017. Therefore, CPM reduced the discount offered to the distributors in the middle of third quarter 2017, although CPM implemented the adjustment in our pricing policy of business initiatives in the first half of 2017. This reduction only applied to the industrial paint and coating products and general paint and coating and ancillary products.

In order to further penetrate into the water-based architectural paint and coating markets and increase the market shares in Southern and Central China, CPM will continue to implement the adjustment in pricing policy in this product segment. The 13th Five-Year Plan for the Development of National Environmental Protection Standards《國家環境保護標準"十三五"發展規劃》indicates that the environmental protection industry will have unprecedented opportunities. In future, CPM will continue to invest in the development of water-based and low VOCs (volatile organic compounds) paint and coatings products.

In view of the stringent safety and environmental laws and regulations implemented in recent year by the Chinese Government and respective local authorities, CPM has established an "Environment, Health and Safety" team at our production plants for the purpose of monitoring and implementing all relevant measures to ensure full compliance with the applicable laws and regulations on safety as well as emission control. The implementation of stringent laws and regulations inevitable increase the operating costs for the compliance. However, CPM consider that such stringent requirements taken by the Chinese Government would accelerate the healthy development of the paint and coating industry in Mainland China with emphasis on production safety and environmental protection.

The demand for our paint and coating products is also affected by the seasonality factor of the manufacturing industries of toys, electronics and electrical appliances and the pattern that most of the construction, repairs and renovation undertakings will be completed during the second half of the calendar year. As a result, sales of our paint and coating products will generally increase during the second and the fourth quarters of the calendar year.

Management Discussion and Analysis

BUSINESS REVIEW (continued)

Property Investment

Over past decades, we have 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.

In May 2017, we had entered into an agreement with an independent property developer for the acquisition of five residential premises in Zhongshan, Guangdong Province, the PRC during its pre-sale period at the consideration of approximately RMB4.38 million, which was financed by internal resources of the Group. The properties are expected to be handed over to us in late 2018. We intend to lease out the properties to earn rental income for long term investment purposes.

As at 31 December 2017, the aggregate market value of investment properties held by the Group amounted to approximately HK$683.92 million, representing an increase of approximately 6.1% when compared to 2016. Such increase was mainly due to the increase in the net fair value of the Group's investment property portfolio for 2017 of approximately HK$27.80 million and the exchange realignment upon the appreciation of Renminbi assets of approximately HK$11.80 million.

We continued to maintain a high occupancy rate of about 95.0% (2016: 95.0%) and recorded gross rental income (including inter-group rental income) of approximately HK$39.30 million in 2017, as compared to approximately HK$39.84 million in 2016.

The review application under Section 17 of Town Planning Ordinance ("TPO") for seeking the Town Planning Board's ("TPB") approval for a proposed columbarium on our existing land located in Au Tau, Yuen Long, Hong Kong ("the Appeal Site") was rejected in December 2014. We had lodged an appeal to the Appeal Board Panel (Town Planning) ("ABP") under Section 17B of TPO in February 2015 and was granted the planning permission in November 2017.

Management Discussion and Analysis

BUSINESS REVIEW (continued)

Property Investment (continued)

The permission shall be valid for 4 years from the date of decision, and after the said date, the permission shall cease to have effect unless before the said date, the development permitted is commenced or the permission is renewed. The ABP also imposed approval conditions with the permission. Extracts of material conditions are as follows:

(1) The maximum number of niches within the Appeal Site should not exceed 20,000.

(2) The submission of an implementation programme with phasing proposals (with niche sales not exceeding 3,000 niches per year) to tie in with the completion of the traffic improvement measures and the submission of a traffic review report at the end of each phase to the satisfaction of the Commissioner for Transport, the Commissioner of Police or of the TPB.

(3) We shall not proceed to the niche sales in the next phase unless the traffic management measures have been implemented to the satisfaction of the Commissioner for Transport, the Commissioner of Police or of the TPB.

(4) Submission of relevant updated assessments/reports/plans/measures within 6 months from the date of decision to the satisfaction of relevant government bodies.

(5) The in-situ presentation of Pun Uk in its entirely, including feng shui pond in front of Pun Uk to the satisfaction of the Director of Leisure and Cultural Services or of the TPB.

(6) The Appeal Site involves various private lots in D.D. 115 which are of agricultural or building status held under Block Government Lease or Tai Po New Grant, and adjoining government land. We need to apply to Lands Department for a land exchange. It is noted that we have included a land exchange to effect the proposed development. Such application will be considered by Lands Department acting in the capacity as a landlord at its sole discretion and there is no guarantee that the land exchange, including the granting of additional government land, for the proposed development will be approved. In the event that land exchange is approved, it would be subject to such terms and conditions, including, among other things, the payment of premium and administrative fee, as may be imposed by Lands Department at its sole discretion.

We have appointed respective professionals and in the course of preparing relevant assessments/reports/plans/measures to satisfy those conditions required by relevant government bodies.

Management Discussion and Analysis

BUSINESS REVIEW (continued)

Property Investment (continued)

In May 2016, we submitted a planning application under Section 16 of TPO to seek TPB's approval for the proposed residential development on our existing warehouses located at Sai Kung, New Territories, Hong Kong (the "Land"). On 2 March 2018, TPB has approved the application with conditions.

The permission shall be valid for 4 years from the date of the decision, and after the said date, the permission shall cease to have effect unless before the said date, the development permitted is commenced or the permission is renewed. The approval conditions are as follows:

(1) The submission of traffic review before population intake for the proposed development to the satisfaction of the Commissioner for Transport or of the TPB.

(2) The provision of fire service installations and water supplies for firefighting to the satisfaction of the Director of Fire Services or of the TPB.

(3) The submission and implementation of landscape proposal to the satisfaction of the Director of Planning or of the TPB.

(4) The submission of a land contamination assessment and the implementation of the mitigation measures proposed therein prior to the commencement of the foundation works for the proposed development to the satisfaction of Director of Environmental Protection or of the TPB.

The purpose of applying for the change in the permitted usage of the Land is to secure a re-development opportunity for the purpose of achieving a high investment return or enhancing the property portfolios of the Group. We have not made any final decision on the re-development of the Land. We will consider the prevailing and the anticipated property market conditions, the availability and the terms of the financial resources, the likely investment return, the long-term development plan as well as the interest of the Group and the shareholders of the Company as a whole.

The Federal Reserves of U.S. has raised interest rates five times since 2015 and three hikes are forecasted in 2018. The U.S. tax reform to cut tax will have impact on the economic environment globally. The volatility in the financial markets and some geopolitical issues create uncertainties over the global economy. However, the launch of the Belt and Road Initiative is expected to stimulate and support Mainland China's economic environment in the medium and long terms. Moreover, the Bay Area development plan will bring additional advantages to the economy of Mainland China. It is expected that economic environment in Mainland China will continue to be stable with moderate growth of GDP. We believe that the demand in real estate will remain growing and therefore we will continue to pay attention to the commercial and residential property markets in Mainland China as well as Hong Kong and consider the feasibility of acquiring additional properties in order to diversify and broaden the investment portfolio of the Group.

Management Discussion and Analysis

BUSINESS REVIEW (continued)

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 can be classified into two subclasses, namely, ferrous metals and non-ferrous metals. The Group is currently trading in ferrous metals and specializes in tinplate trading.

As a result of the urbanization and the rising disposable incomes in Mainland China, the demand for tinplate products in 2017 increased slightly. The segment revenue increased slightly by approximately HK$5.09 million to approximately HK$198.39 million in 2017. The segment gross profit decreased to approximately HK$5.95 million when compared with that of approximately HK$6.97 million last year. The gross profit margin dropped from 3.6% in 2016 to 3.0% in 2017.

One of the drivers of tinplate products is the expansion of the beverage and food market with the improving standard of living. Urbanization stimulates the demand for packaged food, aerosol products and canned foods. Therefore, demand for tinplate products in Mainland China is expected to have a positive growth.

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

Available-for-sale Investments

We have an effective interest of 12.2% in the cemetery project ("the Cemetery") situated in Sihui, Guangdong Province, the PRC. The Cemetery is operated under the name of "Fortune Wealth Memorial Park". 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 Cemetery comprises a site of 518 mu, of which 100 mu have been substantially completed and remaining 418 mu have commenced design work, and an adjacent site of 4,482 mu, which has been reserved, making up a total of 5,000 mu.

In the development aspect, the Cemetery has completed 12 graveyards with 5,485 grave plots and a mausoleum with 550 niches. The Cemetery has further obtained the land use rights certificates of approximately 46.8 mu of land which is planned for additional 4,300 grave plots to be developed on this piece of land.

In the sales aspect, six sales offices are established in Guangzhou to promote the sales and marketing for the Cemetery. The establishment of sales offices together with the implementation of promotion campaign in Guangzhou can enhance market awareness and improve sales in long run.

Due to the uncertainty of the future profitability of the Cemetery, the Group has made an impairment of HK$4.00 million on this available-for-sale investment.

Management Discussion and Analysis

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

Profit for the year of the Group for the year ended 31 December 2017 of approximately HK$46.92 million (2016: approximately HK$87.68 million), representing a decrease of 46.5% when compared with last year. As a result of the completion of the spin-off and the global offering of CPM on 10 July 2017 and the increase in non-controlling interests of the Company, the Group recorded a profit attributable to the shareholders of the Company of approximately HK$37.52 million for the year when compared with that of approximately HK$87.67 million last year. Revenue for the year amounted to approximately HK$1,228.07 million, representing an increase of approximately 5.5% when compared with that of last year. Gross profit for the year amounted to approximately HK$347.47 million, representing a decrease of approximately 10.5% when compared with that of last year. The gross profit margin decreased by 5.0 percentage point ("pp") from 33.3% in 2016 to 28.3% in 2017.

SEGMENT INFORMATION

Business Segments

Paint Products

Paint operation continued to contribute the largest revenue to the Group with revenue of approximately HK$995.96 million, accounting for approximately 81.1% of the Group's total revenue. Segment revenue for the year increased by 6.2% when compared with that of last year. The gross profit margin decreased by 6.2 pp from 37.1% in 2016 to 30.9% in 2017. The decrease in gross profit margin was mainly due to the significant increase in the costs of major raw materials. Segment profit for the year amounted to approximately HK$21.65 million, representing a significant decrease of approximately 68.9% when compared with 2016.

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 our paint products.

Property Investment

Property investment operation reported revenue of approximately HK$33.72 million, accounting for approximately 2.7% of the Group's total revenue. Segment profit for the year increased to approximately HK$52.27 million when compared with that of approximately HK$46.39 million last year. The increase in segment profit was mainly due to the increase in the net fair value gains of the investment properties of approximately HK$7.76 million.

Management Discussion and Analysis

SEGMENT INFORMATION (continued)

Business Segments (continued)

Iron and Steel Trading and Related Investments

Iron and steel operation reported revenue of approximately HK$198.39 million, accounting for approximately 16.2% of the Group's total revenue. Revenue for the year increased by approximately 2.6% when compared with that of last year, as the demand on tinplate products in Mainland China increased slightly during the year. Segment profit for the year amounted to approximately HK$3.55 million when compared with that of approximately HK$4.38 million last year. The decrease in segment profit for the year was mainly due to the decrease in gross profit margin from 3.6% in 2016 to 3.0% in 2017, as a result of the increase in purchase cost of tinplates.

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$1,111.91 million (2016: HK$1,053.37 million) and approximately HK$116.15 million (2016: HK$111.18 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$382.77 million as at 31 December 2017 when compared with approximately HK$266.38 million as at 31 December 2016. The total cash and bank balances, including structured deposits and pledged deposits, amounted to approximately HK$386.04 million as at 31 December 2017 when compared with approximately HK$367.31 million as at 31 December 2016. Bank and other borrowings amounted to approximately HK$133.55 million as at 31 December 2017 when compared with approximately HK$165.92 million as at 31 December 2016. 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 2017, approximately HK$132.52 million (99.2%) was payable within one year, approximately HK$0.41 million (0.3%) was payable in the second year and approximately HK$0.62 million (0.5%) 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 10.2% as at 31 December 2017 compared with 13.7% as at 31 December 2016.

Liquidity ratio of the Group which was expressed as a percentage of current assets to current liabilities was 2.14 times as at 31 December 2017 compared with 1.84 times as at 31 December 2016.

For the year under review, the inventory turnover days[1] were 33 days which was same as that of 33 days in 2016. The trade and bills receivables turnover days[2] were increased from 133 days in 2016 to 181 days in 2017. The increase in the trade receivable turnover days were primarily due to the requests by our customers (including distributors) to extend the credit period amid the less favorable industry environment in Mainland China.

1. The calculation of inventory turnover days is based on the average of the beginning and the ending balances of inventories 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 average of the beginning and the ending balances of trade and bills receivables divided by the revenue and multiplied by 365 days.

LIQUIDITY AND FINANCIAL INFORMATION (continued)

Equity, Net Asset Value and Shareholders' Funds

Shareholders' funds of the Group as at 31 December 2017 was approximately HK$1,569.49 million compared with approximately HK$1,477.64 million as at 31 December 2016. 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 2017 was approximately HK$1,308.48 million compared with approximately HK$1,215.01 million as at 31 December 2016. Net assets value per share as at 31 December 2017 was HK$0.93 compared with HK$0.78 as at 31 December 2016. Shareholders' funds per share as at 31 December 2017 was HK$0.82 compared with HK$0.78 as at 31 December 2016.

Contingent Liabilities

At 31 December 2017, the banking facilities granted to various subsidiaries subject to guarantees given to banks by the Company were utilized to the extent of approximately HK$42.64 million compared with HK$171.68 million as at 31 December 2016.

Pledge of Assets

Certain land and buildings, investment properties and cash deposits with aggregate net book value of HK$596.66 million as at 31 December 2017 (31 December 2016: HK$571.58 million) were pledged as collaterals for bank and other borrowings. At 31 December 2017, total outstanding secured bank and other borrowings amounted to HK$89.90 million compared with HK$143.34 million as at 31 December 2016.

TREASURY MANAGEMENT

Funding and Treasury Policy

The Group adopts a prudent approach on its funding and treasury policy, which aims at maintaining an optimal financial position for the Group and minimizing 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 2017. 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$22.69 million (2016: HK$66.40 million) on the acquisition of property, plant and equipment, pre-sales residential premises and the construction of warehouses.

Management Discussion and Analysis

HUMAN RESOURCES

Headcount as at 31 December 2017 was 1,039 (31 December 2016: 1,051). Staff costs (excluding directors' emoluments) amounted to HK$172.36 million for the year as compared with HK$179.22 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 UNCERTAINTIES

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 favorable 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 recognized 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.

Management Discussion and Analysis

ENVIRONMENTAL POLICIES AND 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.

UPDATE ON UNFAIR PREJUDICE PETITION AND DERIVATIVE ACTION

As disclosed in the announcement of the Company dated 10 January 2018, the unfair prejudice petition filed on 22 June 2017 by Chinaculture.com Limited was withdrawn on 13 December 2017. Chinaculture.com Limited has commenced a derivative action against certain directors of the Company, and the Company is named as a nominal defendant in such derivative action. Such derivative action is still ongoing as at the date of this report.

EVENTS AFTER THE REPORTING DATE

There is no significant subsequent event after 31 December 2017.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Board recognises the importance of and benefit from good corporate governance practices and has devoted considerable efforts to develop the best corporate governance practices appropriate to the businesses of the Group. During the year ended 31 December 2017, the Company has applied the principles and complied with the code provisions as set out in the CG Code, except the following:

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

(2) The Company does not have a nomination committee as the role and the function of such committee are performed by the full Board. The Board collectively reviews the structure, size and composition (including the skills, knowledge and experience) of the Board and the appointment of any new Director. Also, the Board as a whole is responsible for approving the succession plan for the Directors, including the Chairman and the Managing Director.

THE BOARD

During the year and up to the date of this report, the Board comprises the following members:

Executive Directors

Lam Ting Ball, Paul *(Chairman)*
Tsui Ho Chuen, Philip *(Executive Deputy Chairman and Managing Director) (up to 9 July 2017)*
Chong Chi Kwan *(Finance Director up to 9 July 2017 and Managing Director as from 10 July 2017)*

Non-executive Directors

Tsui Ho Chuen, Philip *(as from 10 July 2017)*
Chan Wa Shek
Zhang Yulin
Hung Ting Ho, Richard

Independent Non-executive Directors

Wu Hong Cho *(appointed on 19 July 2017)*
Sir David Akers-Jones *(Deputy Chairman) (resigned on 19 July 2017)*
Danny T Wong
Steven Chow *(resigned on 9 June 2017)*
Zhang Xiaojing

The biographical details of the Directors and the relationships among them, if any, are set out in the "Biographies of Directors and Senior Management" on pages 39 to 41.

The role of the Chairman and the Managing Director are separate and exercised by different individuals. Their respective responsibilities are clearly established and set out in writing. The Chairman is responsible for the management of the Board and ensuring that the Board is functioning effectively with good corporate governance practices and procedures; whilst the Managing Director is responsible for managing the Group's businesses, including implementation of major strategies and initiatives set by the Board.

Corporate Governance Report

THE BOARD (continued)

The non-executive Directors have diversified expertise and experiences. They provide invaluable contribution and independent judgement on issues of strategic development, performance and accountability. The Company currently has three independent non-executive Directors and one of the independent non-executive Directors possesses appropriate professional accounting qualifications or financial management expertise. The Company has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company considers that all independent non-executive Directors are independent.

The Board has reserved for its decision or consideration matters covering the Group's overall strategy, annual budgets, annual and interim results, major acquisitions and disposals, recommendations on Directors' appointment or re-appointment, corporate governance duties and other significant operational and financial matters. The Board has delegated the day-to-day operations of the Group to management under the leadership of the Managing Director.

The Board meets regularly to discuss and review the Group's overall strategy, the operation and financial performance of the Group and other duties of the Board. The attendance record of each Director at the regular Board meetings and general meeting of the Company during the year is set out below:

Directors	**Number of regular Board meetings attended/held**	**Number of general meeting attended/held**
Executive Directors		
Lam Ting Ball, Paul	4/4	1/1
Tsui Ho Chuen, Philip *(up to 9 July 2017) (Note 1)*	1/1	1/1
Chong Chi Kwan	4/4	1/1
Non-executive Directors		
Tsui Ho Chuen, Philip *(as from 10 July 2017) (Note 1)*	2/3	N/A
Chan Wa Shek	3/4	1/1
Zhang Yulin	0/4	0/1
Hung Ting Ho, Richard	4/4	1/1
Independent Non-executive Directors		
Sir David Akers-Jones *(Note 2)*	1/1	1/1
Wu Hong Cho *(Note 3)*	3/3	N/A
Danny T Wong	4/4	1/1
Steven Chow *(Note 4)*	0/1	1/1
Zhang Xiaojing	1/4	1/1

Notes:

1. Mr. Tsui Ho Chuen, Philip was re-designated as a non-executive Director on 10 July 2017.
2. Sir David Akers-Jones resigned as an independent non-executive Director on 19 July 2017.
3. Mr. Wu Hong Cho was appointed as an independent non-executive Director on 19 July 2017.
4. Dr. Steven Chow resigned as an independent non-executive Director on 9 June 2017.

Corporate Governance Report

THE BOARD (continued)

Board meetings are scheduled to be held at approximately quarterly intervals and as required by business needs. At least 14 days' notice of a regular Board meeting is given to all Directors who are given an opportunity to include matters for discussion in the agenda. Agenda and accompanying Board papers are sent to all Directors at least 3 days before the date of a regular Board meeting. Draft and final versions of minutes of regular Board meetings are circulated to all Directors for their comments and records respectively. All Directors are kept informed in a timely manner of major changes that may affect the Group's businesses, including relevant rules and regulations. Written procedures are also in place for the Directors to obtain independent professional advice in performing their duties at the expense of the Company in appropriate circumstances.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The Board is responsible for the appointment of Directors and will take into consideration criteria such as expertise, experience, integrity and commitment of the candidates as recommended by the executive Directors when considering new Director appointments. A set of procedures and criteria for selecting candidates for directorship of the Company has been in place.

All Directors appointed by the Board are subject to re-election at the first general meeting after their appointment. Every Director (including the non-executive Directors) is required to be re-elected at least once every three years at AGM pursuant to the Bye-laws.

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

Corporate Governance Report

DIRECTORS' TRAINING

Every Director must always know his responsibilities as a Director and of the conduct, business activities and development of the Company. Every newly appointed Director would receive an induction package covering the Group's businesses, the statutory and regulatory obligations and duties of a director of a listed company. The Company continuously updates the Directors on the Group's businesses and the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices. During the year, the Directors participated in the following training:

Directors	Type of training
Executive Directors	
Lam Ting Ball, Paul	A,B,C
Chong Chi Kwan	A,B,C
Non-executive Directors	
Tsui Ho Chuen, Philip	A,C
Chan Wa Shek	A,B,C
Zhang Yulin	A,C
Hung Ting Ho, Richard	A,C
Independent Non-executive Directors	
Wu Hong Cho	A,B,C
Danny T Wong	A,B,C
Zhang Xiaojing	A,C

A: Reading materials given by the Company relating to the Company's businesses and the regular updates on the Listing Rules and other applicable regulatory requirements relevant to the director's duties and responsibilities

B: Attending briefings/seminars/conferences relevant to the director's duties and responsibilities

C: Reading newspapers, journals and updates relating to the economy, environment and social issues or the director's duties and responsibilities

BOARD COMMITTEES

The Board has established the Audit Committee and the Remuneration Committee with defined terms of reference (available on the website of the Company at www.cntgroup.com.hk and the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk), which are of no less exacting terms than those set out in the code provisions of the CG Code.

Audit Committee

During the year, the Audit Committee consisted of three non-executive Directors (the majority of whom are independent): Mr. Wu Hong Cho (AC Chairman) (appointed on 19 July 2017), Sir David Akers-Jones (AC Chairman) (resigned on 19 July 2017), Mr. Danny T Wong and Mr. Chan Wa Shek.

Corporate Governance Report

BOARD COMMITTEES (continued)

Audit Committee (continued)

The Audit Committee met twice during the year to review with the Company's external auditors the reporting of financial and other information to the Shareholders (including the 2016 annual results and the 2017 interim results before recommending them to the Board for approval), the accounting principles and practices adopted by the Group, the effectiveness and objectivity of the audit process, the effectiveness of the risk management and internal control system of the Group, and the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting and financial reporting function. The Audit Committee resolved by resolutions in writing to approve (i) the fee, terms and conditions of engaging the Company's external auditors to audit and report on the financial statements of the Group for the years ended 31 December 2016 and 2017; and (ii) the scope and extent of the agreed-upon procedures engagement in respect to the unaudited consolidated financial statements of the Group for the six months ended 30 June 2017. The Audit Committee also keeps under review the independence and objectivity of the Company's external auditors and the non-audit services provided by the Company's external auditors to the Group. The attendance record of each committee member is set out below:

Directors	**Number of committee meetings attended/held**
Wu Hong Cho *(AC Chairman) (appointed on 19 July 2017)*	1/1
Sir David Akers-Jones *(AC Chairman) (resigned on 19 July 2017)*	1/1
Danny T Wong	1/2
Chan Wa Shek	2/2

Remuneration Committee

During the year, the Remuneration Committee comprised two independent non-executive Directors and one executive Director: Mr. Wu Hong Cho (RC Chairman) (appointed on 19 July 2017), Sir David Akers-Jones (RC Chairman) (resigned on 19 July 2017), Mr. Lam Ting Ball, Paul and Mr. Danny T Wong.

The remuneration of the executive Directors is determined by the Remuneration Committee and the remuneration of the non-executive Directors is determined by the Board on the recommendation of the Remuneration Committee, by reference to their duties and responsibilities, performance, experiences, time commitment, market conditions and the corporate goals and objectives as set by the Board. No Director is involved in deciding his own remuneration. Senior management of the Company comprises all the executive Directors only. Details of their remuneration are set out in note 8 to the financial statements. During the year, the Remuneration Committee held two meetings to review and approve the remuneration policy and the remuneration packages of the Directors. The attendance record of each committee member is set out below:

Directors	**Number of committee meetings attended/held**
Wu Hong Cho *(RC Chairman) (appointed on 19 July 2017)*	1/1
Sir David Akers-Jones *(RC Chairman) (resigned on 19 July 2017)*	1/1
Lam Ting Ball, Paul	2/2
Danny T Wong	2/2

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibility for maintaining sound and effective risk management and internal control systems of the Group and reviewing the effectiveness of such systems. The risk management and internal control systems are designed to facilitate the effectiveness and efficiency of operations, safeguard assets against unauthorised use and disposition, ensure the maintenance of proper accounting records and the truth and fairness of the financial statements, and ensure compliance with relevant legislation and regulations. The systems can only provide reasonable and not absolute assurance against material misstatement or loss as it is designed to manage, rather than eliminate the risk of failure, to achieve business objectives.

For long-term growth and sustainability, effective risk management is a fundamental part of the Group's business strategy. The Board is responsible for managing risks lies initially with the business functions concerned, working within the overall strategy and establishing risk tolerance. Each department of the Group is responsible for identifying its own risks and designing, implementing and monitoring the relevant risk management and internal control systems. In addition, the Board has conducted a half-yearly review of the effectiveness of the Group's risk management and internal control systems during the year with a view to enhance its risk management and internal control systems and considered them effective and adequate.

INTERNAL AUDIT

Internal control system shall allow monitoring of the Company's overall financial position, safeguard its assets against major losses and misappropriation, provide reasonable assurance against material fraud and errors, and monitor and correct non-compliances efficiently.

Through the Company's outsourced internal auditor, the Board has conducted a review of the effectiveness of the internal control system of the Group which covers all material controls, including operational, financial and compliance controls and risk management functions.

During the year, the Company appointed an outsourced internal auditor. The outsourced internal auditor of the Company reviews the major operational, financial and compliance controls and risk management functions of the Group on a continuing basis and aims to cover all major operations of the Group on a rotational basis. The outsourced internal auditor of the Company presents its internal audit plan annually to the Managing Director for approval.

POLICY ON DISCLOSURE OF INSIDE INFORMATION

The Company has a policy on disclosure of inside information which sets out the system in place for monitoring the developments of our business so that potential inside information can be escalated to the Board so as to decide whether announcement in relation to such inside information is to be made, in order to comply with the Listing Rules and the SFO.

Corporate Governance Report

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance duties with defined terms of reference as follows: (a) to develop and review the Company's policies and practices on corporate governance; (b) to review and monitor the training and continuous professional development of Directors and senior management; (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to the employees and Directors; and (e) to review the Company's compliance with the CG Code and disclosure in the corporate governance report.

During the year and up to the date of this report, the Board has performed the corporate governance functions of the Group in accordance with its terms of reference.

CODES FOR SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in the Model Code. After specific enquiries by the Company, all Directors confirmed that they have complied with the required standard as set out in the Model Code and the Company's own code during the year ended 31 December 2017.

The Company also adopted a code on no less exacting terms than the Model Code to regulate dealings in the securities of the Company by certain employees of the Group who are considered to be likely in possession of inside information in relation to the Company or its securities.

EXTERNAL AUDITORS' REMUNERATION

In 2017, the remuneration of the Company's external auditors, Ernst & Young, is set out below:

Services rendered to the Group	**Remuneration**
	HK$
Audit services	4,250,000
Non-audit services	616,615
	4,866,615

The non-audit services rendered by the Company's external auditors included performance of agreed-upon procedures on the 2017 interim financial statements and the preliminary results announcement for the year ended 31 December 2017, tax review services and the audit examination of the statement on details of contributions of the Group's occupational retirement schemes.

Corporate Governance Report

RESPONSIBILITY STATEMENTS

The Directors are responsible for the preparation of financial statements which give a true and fair view. In preparing the financial statements for the year ended 31 December 2017, the Directors have selected appropriate accounting policies and applied them consistently, made judgements and estimates that are prudent and reasonable, and have prepared the financial statements on a going concern basis.

The statement by the Company's external auditors about their reporting responsibilities on the financial statements is set out in the "Independent Auditor's Report" on pages 48 to 52.

COMMUNICATION WITH SHAREHOLDERS

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

The 2017 AGM provided an opportunity for communication between the Shareholders and the Board, at which the chairmen of the Board, the Audit Committee and the Remuneration Committee had attended to answer questions from the Shareholders. Details of the procedures for conducting a poll were explained at the commencement of the meeting. In accordance with the Listing Rules, the votes of Shareholders at the meeting were taken by poll and the poll results were announced at the meeting and published on the websites of each of the Company and Hong Kong Exchanges and Clearing Limited after the meeting. A separate resolution was proposed at the meeting on each substantial issue, including the re-election of Directors.

SHAREHOLDERS' RIGHTS

Convening a special general meeting

Pursuant to bye-law 58 of the Bye-laws, a special general meeting may be convened by the Board upon requisition by any Shareholder(s) holding not less than one-tenth (10%) of the paid up capital of the Company carrying the right of voting at general meetings of the Company, by written requisition to the Board or the Company Secretary, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition. The Board shall arrange to hold such general meeting within two months after the deposit of such written requisition. If within twenty-one days of the deposit of such written requisition, the Board fails to proceed to convene such special general meeting, the Shareholder(s) may do so in accordance with the provisions of the Companies Act.

Corporate Governance Report

SHAREHOLDERS' RIGHTS (continued)

Putting forward proposals at general meetings

Shareholders may submit a requisition to move a resolution at a general meeting pursuant to the Companies Act. The number of Shareholders necessary for a requisition shall be: (a) any number of Shareholders representing not less than one-twentieth (5%) of the total voting rights of all Shareholders having at the date of the requisition a right to vote at the meeting; or (b) not less than one hundred (100) Shareholders holding the Shares.

The requisition specifying the proposal, duly signed by the Shareholders concerned, together with a statement of not more than one thousand (1,000) words with respect to the matter referred to in the proposal must be deposited at the registered office of the Company. The Company would take appropriate actions and make necessary arrangements, and the Shareholders concerned would be responsible for the expenses incurred in giving effect thereto in accordance with the Companies Act.

Making enquiries to the Board

Shareholders may send their enquiries to the Board in writing for the attention of the Company Secretary to the Company's office in Hong Kong at Unit E, 28th Floor, CNT Tower, 338 Hennessy Road, Wanchai, Hong Kong or by fax at (852) 2792 7341.

CONSTITUTIONAL DOCUMENTS

There was no change in the Company's constitutional documents during the year.

On behalf of the Board
CNT Group Limited

Lam Ting Ball, Paul
Chairman
28 March 2018

Environmental, Social and Governance Report

ABOUT THIS REPORT

The purpose of this environmental, social and governance report ("ESG Report") is not only to enhance the stakeholders' understanding of the sustainable development strategies, management approach and performance of the Group#, but also to promote their understanding of the Group's development and efforts in the areas of social and environmental sustainability. The ESG Report outlines the Group's efforts and achievements in corporate social responsibility and sustainable development.

In the course of achieving its business objectives and creating value for its shareholders/investors, the Group also aims at making full use of various resources and minimising pollutants from its operations to protect the ecological environment. As a socially responsible enterprise with a sense of accountability and vision, we always strive to achieve a balance between our operations and the environment. With the continuous enhancement and optimisation of various initiatives in the areas of operation management, business strategies, environmental protection, talent development and community investments, etc., the Group endeavors to contribute to the sustainable development of our planet, humanity and its businesses.

Reporting Scope and Period

The ESG Report, which covers mainly the Group's principal activities including trading of iron and steel products and related investments and property investment (excluding the manufacture and sale of paint product#), sets out the Group's strategic approach and performance in the area of environmental and social sustainable development. For the disclosure of various environmental-related indicators and performance data, please refer to the section headed "Summary of Environmental Data and Performance" below. The reporting period covers the financial year ended 31 December 2017.

Reporting Guide

The ESG Report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (revised) as set out in Appendix 27 to the Listing Rules issued by the Stock Exchange.

CPM Group Limited is a non wholly-owned subsidiary of the Group. CPM Group Limited has been listed on the main board of the Stock Exchange since 10 July 2017 and an environmental, social and governance report covering the business of the manufacture and sale of paint and coating products has been separately prepared by CPM Group Limited together with its subsidiaries. Therefore, the business of CPM Group Limited and its subsidiaries has not been addressed in the ESG Report.

Environmental, Social and Governance Report

ENVIRONMENTAL PROTECTION

The Group has always been committed to the care and protection of the natural environment. In order to raise employees' awareness of their impacts on the environment, we take various actions and set up policies with an aim to reduce carbon emissions. We will continue to support environmental protection and minimise the impacts of our personal lives and business activities on the environment. We also hope that our staff can start by changing their own habits and convey the message of environmental protection to their families, friends and business partners in order to enhance cohesion and mitigate climate change together.

Emissions Management

Office electricity consumption accounts for a major part of greenhouse gas emissions in our daily operations. Therefore, various energy saving measures (please refer to the section headed "Management of Use of Resources" below for details) have been undertaken to improve energy efficiency and reduce energy consumption in our operations. Waste management mainly involves the collection of domestic waste and the recycling of waste paper (please refer to the section headed "Management of Use of Resources" below for details). The Group's business will not cause any hazardous waste and air pollutants. Our impact of water discharges on the environment is not significant.

During the reporting period, there was no violation or non-compliance incident relating to emissions that had significant impact on the Group.

Management of Use of Resources

The Group recognises its responsibility to protect the environment in the course of its operation and continually seeks to identify and reduce environmental impacts attributable to its operational activities. The Group strives to foster the culture of resources conservation throughout the organisation and promote the principles of conserving valuable resources and minimising wastage. We have adopted various measures to make full use of resources, maximise their effectiveness and avoid wastage.

1. **Energy conservation**

   We control our energy use and enhance the efficiency of use of resources mainly through the management of daily activities. We promote the use of high energy-efficient lighting. Employees are encouraged to switch off the power of illumination, air conditioners, computers, personal electronic devices and common office equipment when they are not in use. Office power are switched off after work. We endeavor to keep all electronic appliances well-maintained and encourage the staff to turn all computers to energy saving mode.

   During the reporting period, electricity consumption and petrol consumption by the Group's business were approximately 2,331 kWh and approximately 3.48 tonnes respectively. According to the Guidelines to Account for Greenhouse Gas Emissions and taking into account of the emission factor of the relevant location, we calculated the greenhouse gas emissions from the above-mentioned energy consumption activities. During the reporting period, in terms of carbon dioxide emissions, Scope 1 and Scope 2 greenhouse gas emissions amounted to approximately 7.96 kg and approximately 1,841.49 kg respectively.

2. **Water conservation**

   Water conservation is part of daily life. A number of measures are put in place to enhance the employees' awareness. These include not using drinking water for any other purpose, using water sparingly, and turning off water faucets immediately after use.

Environmental, Social and Governance Report

ENVIRONMENTAL PROTECTION (continued)

Management of Use of Resources (continued)

3. **Paper conservation**

   Saving paper in workplace can protect the environment. To avoid wastage of paper, we advocate to create a paperless office and encourage our staff to read documents in electronic form, instead of on paper. Staff are required to follow the golden rule of "think before you print" and print only the required documents to save paper. Duplex printing is suggested. The blank sides of unneeded single-sided copies are used for draft printing and waste papers are collected for recycling. We also encourage transmissions of files in electronic form. During the reporting period, paper consumption by the Group's businesses amounted to 2 tonnes.

4. **Others**

   Other measures to reduce carbon emission include reduced use of disposable utensils, reduced business trips, and encouraging employees to travel by public transport.

The Environment and Natural Resources

The impact of the Group on the environment and natural resources is not significant. Resources consumption mainly comes from the use of electricity, water and paper in office. In order to promote the concept of "caring and protecting the environment is everyone's responsibility", we hope to engage everyone and joint hands for a better world. We have taken various measures for reducing resources consumption and proper disposal of waste. (please refer to the sections headed "Emissions Management" and "Management of Use of Resources" above for details).

EMPLOYMENT AND LABOUR PRACTICES

Employees are the Group's most valuable asset. The Group adheres to the people-oriented principle in its governance. A set of comprehensive talent management mechanisms has been established to attract and retain competent talents for sustainable development. We devote to create a non-discriminatory, equal, harmonious and safe workplace and build up a relationship of mutual respect with our employees. The Group encourages our employees to be innovative, flexible and committed when dealing with our customers and providing high quality products and services. To accomplish the above goals, we create favourable conditions to attract, retain and reward talents which include providing commensurate remuneration, personal and career development training, together with other fringe benefits, such as holidays, retirement benefits and other welfares. Besides, we promote the concept of work-life balance and care for the well-being of our employees. We organise activities to enrich their leisure time and, at the same time, to promote team cohesion.

Talent Selection

The Group has always been committed to the protection of human rights and personal data privacy, and the prohibition of discrimination. We follow the principles of fairness, equity and openness to recruit outstanding and appropriate talents. Candidates are not discriminated against because of their races, religions, nationalities, genders, age, marital status and disabilities, etc. In the course of staff recruitment, character, knowledge and expertise, competence and job requirements are adopted as the selection criteria. The Group provides fair opportunities to employees in promotion, performance appraisal, training and career development so as to ensure that all staff can fully develop their talents with the Group and to achieve a win-win situation.

Environmental, Social and Governance Report

EMPLOYMENT AND LABOUR PRACTICES (continued)

Labour Standards

The Group's human resources policies and management system are in compliance with the relevant labour laws and regulations. We always respect human rights and protect labour rights. Any unethical or unlawful hiring practices are prohibited. Any forms of forced labour are eliminated in our workplace. We oppose to child labour resolutely. During the recruitment process, we must check the identity documents of the applicants and must not hire any applicant under the legal working age. The working hours of staff are in line with the relevant local labour laws and regulations. Staff consent for working overtime is required so as to prevent forced overtime work; and they are compensated in accordance with the requirements of local laws and regulations.

Compensation and Welfare

The Group recruits and retains talents with competitive remuneration packages. We review the remuneration level of different ranks of staff and collect up-to-date remuneration data for our industry regularly in order to establish a fair, reasonable and competitive remuneration system. Staff remuneration are determined by reference to factors such as the knowledge, skills, experiences and educational background required by their job specification. Remuneration packages of employees include basic salary, year-end bonus and medical and dental benefits, etc. Staff with outstanding performance and remarkable contributions are recognised and/or rewarded with discretionary bonuses. Employees are entitled to, among others, rest days, statutory holidays, annual leave, sick leave, casual leave, marriage leave, maternity leave and bereavement leave in accordance with labour laws and regulations. We also provide retirement and social security benefits for employees, as well as regulate the working hours and compensation of employees. We terminate and compensate staff in accordance with laws and regulations. We organise activities for our staff regularly, including the Chinese New Year party, etc., to enhance the cohesion among them.

Development and Training

An excellent corporate team is vital to our sustainable and long-term business development. Therefore, we adopt a long-term talent development training strategy and encourage staff to continue study and lifelong learning. New hires are provided with on-the-job training. The human resources department together with the supervisors of each department introduce our corporate culture, industry knowledge and job duties to new staff. Continuing training enhances the professional knowledge and job skills of staff and enable them to discharge their job duties efficiently. During the reporting period, apart from pre-employment training for new employees, we also provide employees with external training courses, such as training for warehouse managers in respect of rules on dangerous goods.

Health and Safety

The Group adopts a comprehensive preventive approach on staff health and work safety. Disease and injury prevention are part of our ordinary management. We have a safety management system in place to provide our employees with a healthy and safe working environment, including the provision of first aid supplies. All staff shall give their unconditional support to maintain a smoke-free working environment. Smoking is absolutely prohibited in the office. In case of fire, employees shall take immediate and informed decision and action in accordance with the evacuation procedures laid down by the Group.

During the reporting period, there was no violation or non-compliance incident relating to employment, health and safety and labour standards that had significant impact on the Group.

Environmental, Social and Governance Report

OPERATING PRACTICES

Supply Chain Management

The Group recognizes that building a sustainable supply chain can create value for its employees, suppliers, service providers, the communities and its clients. It is important to maintain close interaction and communication with our suppliers. In order to establish an efficient green supply chain system, we select suppliers and service providers which have good credit history, profound reputation, high-quality products or services, proven track records of environmental compliance and sound commitment to social responsibility. We conduct performance review of our suppliers and service providers from time to time with the aim of effectively controlling and assuring our product and service quality. We have also established stringent procedures for employees, suppliers, customers and other business partners to report any violations of laws and regulations by the abuse of power. During the reporting period, the Group has not received any reports of serious violations in this respect.

Product and Service Responsibilities

1. Trading of iron and steel products and related investments

The Group places great importance on customer relationship and is committed to providing customers with quality products and sales services which are in line with the business philosophy of "Quality is our top priority and customers come first". We have strict requirements in selecting suppliers. (please refer to the section headed "Supply Chain Management" above for details). We appreciate any opinions or complaints given by our customers on product or service quality. Our customer service representative will handle their requests promptly.

2. Property investment

We understand that tenants' satisfaction is vital to the future growth of our property leasing business. Therefore, we have been dedicated to providing high quality and professional services to our tenants and striving for excellence. We value opinions from our tenants and offer proactive customer service.

We handle customers' and tenants' personal information with caution in accordance with the requirements under the Personal Data (Privacy) Ordinance in Hong Kong. Personal information is kept securely and completely confidential by designated staff. Staff will be warned, penalized with performance pay deducted for unauthorised disclosure of customers' and tenants' information. In case the incidents are very serious and result in significant economic loss, the staff will be dismissed and may be required to compensate the company for the loss incurred as a result.

During the reporting period, there was no violation or non-compliance incident relating to product and service responsibilities that had significant impact on the Group nor any complaint concerning breach of customer/tenant privacy and loss of data.

Environmental, Social and Governance Report

OPERATING PRACTICES (continued)

Anti-corruption

The Group advocates the business ethnics of law-abiding, integrity, honesty and dedication, and strictly regulates the conduct of its directors, managers and employees. It also requires all personnel to be abided by rules and regulations and does not tolerate any bribery act at all. We conduct disciplinary inspections and monitoring in the business process to ensure arrangements are in place that people can use, in confidence, to lodge complaints alleging disciplinary complaints and act in violation of rules, regulations and laws such as the abuse of power for personal gains, bribery, blackmailing, frauds or money laundering to the management and human resources department directly. We are determined to combat corruption and contribute to building a clean society. Before employees are on board, they are required to attend training in business ethics. Employees who are in breach of company's code of conduct are disciplined or dismissed.

During the reporting period, there was no litigation of corruption involving the Group or our employees.

COMMUNITY INVESTMENT

The Group advocates accountability in its corporate culture. Everyone is accountable to oneself, one's family, one's employer, and society. Therefore, we strive to contribute to society and is committed to the building of a sustainable and harmonious society.

The Group is a responsible taxpayer and offers job opportunities to local people. We help our staff to prepare for their retirement. All employees participate in retirement benefits scheme. We follow good practice in our business and operations. We promote environmental-friendly concept actively and strive to develop our business in good order. To some extent, we have contributed to social stability and the building of a harmonious community.

VISION AND OUTLOOK

As a good corporate citizen, the Group strives to strike a balance between achieving corporate missions and business objectives and fulfilling its social responsibility. We will continue to evaluate our performance on environmental protection, employee care, product and service quality and community investment which are important to the sustainable development of the Group.

On the aspect of environmental protection, the Group will continue to optimise measures to enhance employees' awareness of environmental protection and reduce our carbon emissions. Regarding employee's care, we will put employee's satisfaction as our top priority and ensure a healthy and safe working environment. We aim at attracting more talents with a competitive remuneration system. As for product and customer service quality, we will continue to provide customers with high-quality products. We will continue to implement a stringent supply chain management system to ensure that our products meet the needs of our customers. On the aspect of community investment, the Group is committed to fulfilling its social responsibility by promoting the community's sustainable development.

The Group aspires to become a respectable enterprise. Going forward, the Group hopes to enhance its business performance through the implementation of sustainable development strategies and create more meaningful long-term value for the enterprise and its stakeholders.

Environmental, Social and Governance Report

SUMMARY OF ENVIRONMENTAL DATA AND PERFORMANCE

	Unit	2017
Greenhouse gas emissions:		
Scope 1	kg	7.96
Scope 2	kg	1,841.49
Air emissions:		
Nitrogen oxides	kg	0.67
Sulphur oxides	kg	0.05
Particles	kg	0.07
Energy consumption:		
Electricity	kWh	2,331
Petrol	tonnes	3.48

COMPLIANCE WITH THE "ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE" ISSUED BY THE STOCK EXCHANGE

General Disclosures and Key Performance Indicators ("KPIs")	Reporting Guide	Page No.
	A. Environmental	
Aspect A1	**Emissions**	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	28
KPI A1.1	The types of emissions and respective emissions data.	28
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	33
KPI A1.3	Total hazardous[1] waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	N/A[1]
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	33
KPI A1.5	Description of measures to mitigate emissions and results achieved.	28
KPI A1.6	Description of how hazardous[1] and non-hazardous wastes are handled, reduction initiatives and results achieved.	28

Environmental, Social and Governance Report

COMPLIANCE WITH THE "ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE" ISSUED BY THE STOCK EXCHANGE (continued)

General Disclosures and KPIs	Reporting Guide	Page No.
Aspect A2	**Use of Resources**	
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	28-29
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	33
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	N/A[2]
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	28
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	28
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	N/A[1]
Aspect A3	**The Environment and Natural Resources**	
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	29
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	29
	B. Social[3]	
Aspect B1	**Employment**	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	29-30
Aspect B2	**Health and Safety**	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	30

Environmental, Social and Governance Report

COMPLIANCE WITH THE "ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE" ISSUED BY THE STOCK EXCHANGE (continued)

General Disclosures and KPIs	Reporting Guide	Page No.
Aspect B3	**Development and Training**	
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	30
Aspect B4	**Labour Standards**	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	30
Aspect B5	**Supply Chain Management**	
General Disclosure	Policies on managing environmental and social risks of the supply chain.	31
Aspect B6	**Product Responsibility**	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	31
Aspect B7	**Anti-corruption**	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	32
Aspect B8	**Community Investment**	
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	32

Notes:

1 The ESG Report mainly covers the Group's principal activities in the trading of iron and steel products and related investments and property investment which do not involve any production process. Goods are delivered directly from suppliers to customers. Therefore, no packing material is used, and no solid waste is generated from handling damaged goods. Thus, no hazardous waste is generated.

2 The Group's water consumption mainly comes from its leased office, and no record of water consumption by the Group's leased unit is available from the property management company.

3 The Group elected not to disclose the KPIs of "Subject Area B. Society" as set out in Appendix 27 to the Listing Rules which are recommended disclosures only.

Report of the Directors

The Directors present their report and the audited financial statements of the Group for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding. The Group is principally engaged in the manufacture and sale of paint products, property investment (including the investment properties for rental income potential or for sale, and the proposed columbarium development in Hong Kong), iron and steel trading and investment holding activities. Details of the activities of the principal subsidiaries and associates are set out in notes 1 and 17 to the financial statements respectively. Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance can be found in the Chairman's Statement and Management Discussion and Analysis set out on pages 3 to 17 of this annual report. The discussion forms part of this directors' report.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2017 and the state of affairs of the Group at that date are set out in the financial statements on pages 53 to 148.

The Directors have resolved to recommend the payment of a final dividend of HK1.0 cent per Share to the Shareholders by way of distribution out of the contributed surplus. The final dividend, if approved by the Shareholders at the forthcoming AGM, will be paid on 20 June 2018 to the Shareholders whose names appear on the Company's register of members on 7 June 2018.

MAJOR SUPPLIERS AND CUSTOMERS

In the year under review, purchases from the Group's five largest suppliers accounted for approximately 33% of the total purchases for the year and purchases from the largest supplier included therein amounted to 12%. Sales to the Group's five largest customers accounted for less than 30% of the total sales for the year.

None of the Directors or any of their associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest suppliers.

Report of the Directors

SUMMARY OF FINANCIAL INFORMATION

The following table summarises the published results, assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate. This summary does not form part of the audited financial statements.

	Year ended 31 December				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
Revenue	**1,228,065**	1,164,549	1,102,813	1,473,181	1,452,616
Operating profit	**55,039**	109,390	118,835	182,527	180,576
Share of profits and losses of associates	**3,214**	2,263	(3,954)	1,049	7,188
Profit before tax	**58,253**	111,653	114,881	183,576	187,764
Income tax expenses	**(11,335)**	(23,969)	(29,095)	(33,539)	(24,442)
Profit for the year	**46,918**	87,684	85,786	150,037	163,322
ATTRIBUTABLE TO:					
Owners of the parent	**37,516**	87,666	86,354	149,192	163,302
Non-controlling interests	**9,402**	18	(568)	845	20
	46,918	87,684	85,786	150,037	163,322
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
Total assets	**2,390,271**	2,083,422	2,020,613	1,971,573	1,769,942
Total liabilities	**(629,168)**	(602,168)	(550,733)	(627,738)	(610,283)
Non-controlling interests	**(191,618)**	(3,618)	(3,843)	(4,596)	(3,867)
	1,569,485	1,477,636	1,466,037	1,339,239	1,155,792

Report of the Directors

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 13 to the financial statements.

INVESTMENT PROPERTIES

Details of movements in the investment properties of the Group during the year are set out in note 14 to the financial statements. Further details of the Group's investment properties are set out on pages 149 to 150.

PROPERTIES UNDER DEVELOPMENT

Details of movements in the properties under development of the Group during the year are set out in note 15 to the financial statements. Further details of the Group's properties under development are set out on page 151.

SHARE CAPITAL

Details of movements in the Company's share capital during the year, together with the reasons therefor, are set out in note 32 to the financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Bye-laws or the laws of Bermuda, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing Shareholders.

PURCHASE, SALE OR REDEMPTION OF THE SHARES

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 45 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

The distributable reserves of the Company as at 31 December 2017, calculated under The Companies Act, amounted to HK$532,943,000. In addition, the Company's share premium account may be distributed in the form of fully paid bonus shares.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK$1,690,000.

Report of the Directors

DIRECTORS

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

Executive Directors

Lam Ting Ball, Paul
Tsui Ho Chuen, Philip *(up to 9 July 2017)*
Chong Chi Kwan

Non-executive Directors

Tsui Ho Chuen, Philip *(as from 10 July 2017)*
Chan Wa Shek
Zhang Yulin
Hung Ting Ho, Richard

Independent Non-executive Directors

Wu Hong Cho *(appointed on 19 July 2017)*
Sir David Akers-Jones *(resigned on 19 July 2017)*
Danny T Wong
Steven Chow *(resigned on 9 June 2017)*
Zhang Xiaojing

In accordance with the Bye-laws, Mr. Lam Ting Ball, Paul, having held office for three years since his last re-election, will offer himself for re-election at the forthcoming AGM. Mr. Zhang Yulin, Mr. Wu Hong Cho, Mr. Danny T Wong and Mr. Zhang Xiaojing will retire from office at the forthcoming AGM and, being eligible, will offer themselves for re-election.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Directors

Name	Age	Position held	Number of years of service	Business experience
Executive Directors				
Lam Ting Ball, Paul	76	Chairman	45	More than 45 years' experience in the paint industry
Chong Chi Kwan	50	Managing Director	12	More than 26 years' experience in auditing, finance, accounting and management

Report of the Directors

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Directors (continued)

Name	Age	Position held	Number of years of service	Business experience
Non-executive Directors				
Tsui Ho Chuen, Philip	54	Non-executive Director	33	Qualified solicitor
Chan Wa Shek CBE, ISO	87	Non-executive Director	11	Former Commissioner of Correctional Services of Hong Kong
Zhang Yulin	54	Non-executive Director	11	More than 21 years' experience in finance and management
Hung Ting Ho, Richard	64	Non-executive Director	13	More than 39 years' experience in business and financial management
Independent Non-executive Directors				
Wu Hong Cho	72	Independent Non-executive Director	1	Practicing solicitor in Hong Kong with more than 10 years' experience in private practice
Danny T Wong	72	Independent Non-executive Director	14	More than 43 years' experience in finance, accounting and management
Zhang Xiaojing	63	Independent Non-executive Director	5	More than 35 years' experience in engineering and management

Senior management

The businesses of the Group are under the direct responsibility of two executive Directors, namely, Mr. Lam Ting Ball, Paul and Mr. Chong Chi Kwan, who are regarded as the senior management of the Company.

Notes:

(1) Mr. Lam Ting Ball, Paul is the chairman and a non-executive director of CPM Group Limited, a non-wholly owned subsidiary of the Company and a company listed on the Stock Exchange.

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

(3) Mr. Chong Chi Kwan is a non-executive director of CPM Group Limited.

(4) Mr. Zhang Yulin is a director and an employee of Broadsino Investment Company Limited, which is interested in 5.15% of the total number of Shares in issue of the Company.

Report of the Directors

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Notes: (continued)

(5) Mr. Hung Ting Ho, Richard was a non-executive Director from 29 June 2002 to 5 June 2013 and has been appointed as a non-executive Director since 4 July 2016. On 26 January 2018 (after 4 p.m.), Mr. Hung resigned as the chairman and an executive director of Midas International Holdings Limited, which ceased to be a subsidiary of Chuang's Consortium International Limited, a substanial shareholder of the Company, on 19 December 2017. Chuang's Consortium International Limited held an indirect interest of 60.71% in the equity of Chuang's China Investments Limited which in turn held 100% equity interest in Chinaculture.com Limited, a substantial shareholder of the Company and the plaintiff in the originating summons as disclosed in the announcements of the Company dated 16 November 2017, 28 November 2017 and 13 December 2017. Mr. Hung is also an executive director and a joint managing director of Chuang's Consortium International Limited. Both Midas International Holdings Limited and Chuang's Consortium International Limited are companies listed on the Stock Exchange.

(6) Mr. Wu Hong Cho was an executive Director from July 1992 to January 2000 and has been appointed as an independent non-executive Director since 19 July 2017.

CHANGE IN DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in the information of the Directors are as follows:

(1) Mr. Hung Ting Ho, Richard was appointed as a joint managing director of Chuang's Consortium International Limited on 6 October 2017. He resigned as the chairman and an executive director of Midas International Holdings Limited on 26 January 2018 (after 4 p.m.). Both Chuang's Consortium International Limited and Midas International Holdings Limited are companies listed on the Stock Exchange.

(2) Details of changes in the Directors' remuneration are set out in note 8 to the financial statements.

DIRECTORS' INTERESTS IN SIGNIFICANT TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

There was no transaction, arrangement or contract of significance in relation to the Company's businesses subsisting during or at the end of this financial year in which the Company, its holding company, any of its subsidiaries or fellow subsidiaries, and in which a Director or an entity connected with a Director is or was materially interested either directly or indirectly.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

Mr. Hung Ting Ho, Richard, a non-executive Director, holds directorship in Chuang's Consortium International Limited, a company listed on the Stock Exchange, and directorships in certain private companies (the "Private Companies"). Chuang's Consortium International Limited and the Private Companies engage in the businesses of property development and investment in Hong Kong and the PRC. As the above-mentioned businesses are managed by separate companies with independent management and the properties owned by Chuang's Consortium International Limited and the Private Companies are of different types and/or in different locations from those of the Group, the Group is capable of operating its businesses independently of, and at arm's length from, the businesses of the above-mentioned companies. Save as disclosed above, none of the Directors has any interests in any businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group that are required to be disclosed pursuant to Rule 8.10 of the Listing Rules.

Report of the Directors

DIRECTORS' SERVICE CONTRACTS

No Director has a service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

The remuneration of the executive Directors are determined by the Remuneration Committee and the remuneration of the non-executive Directors are determined by the Board on the recommendation of the Remuneration Committee, by reference to their duties and responsibilities, performance, experiences, time commitment, market conditions and the corporate goals and objectives as set by the Board.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in the section headed "Share Options" below, at no time during the year was the Company, its holding company, any of its subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

PERMITTED INDEMNITY PROVISION AND DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

Pursuant to the Bye-laws, the Directors, the Company Secretary and other officers of the Company shall be indemnified out of the assets and profits of the Company against all losses or liabilities which they or any of them may sustain or incur in or about the execution of their duties in their respective offices, or in relation thereto.

The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors, the Company Secretary and other officers of the Company throughout the year.

EQUITY-LINKED AGREEMENTS

There was no equity-linked agreement that has been entered into by the Company in this financial year. Nor was there any equity-linked agreement entered into by the Company in the past which still subsisted in this financial year, save as disclosed in the section headed "Share Options" below.

Report of the Directors

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2017, the interests of the Directors in the Shares and underlying shares of the Company as recorded in the register maintained by the Company pursuant to Section 352 of the SFO were as follows:

		Number of Shares					
Name	**Capacity**	**Personal interests**	**Family interests**	**Corporate interests**	**Other interests**	**Total**	**Percentage of the total number of Shares in issue**
Tsui Ho Chuen, Philip	Interest of controlled corporation	–	–	498,053,620 (Note)	–	498,053,620	26.16%

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

Save as disclosed above, as at 31 December 2017, none of the Directors or chief executives of the Company had any interest or short position in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or pursuant to the Model Code, or which were recorded in the register required to be kept by the Company under Section 352 of the SFO. Nor any of the Directors and the chief executives of the Company had any interest in, or had been granted any right to subscribe for the securities of the Company and its associated corporations (within the meaning of Part XV of the SFO) or had exercised any such right during the year under review.

SHARE OPTIONS

The Company's existing Share Option Scheme was adopted on 28 June 2012. Its key terms are summarised below:

(i) The purpose of the Share Option Scheme is to provide the Company with a flexible and effective means to recognise and acknowledge the contributions which the participants of the Share Option Scheme have made or will make to the Group and to provide the participants with an opportunity to have a personal stake in the Company and a direct economic interest with a view to providing rewards, motivations or incentives to the participants for recognition of their contributions to the Group and to utilise their performance and efficiency and to make contributions for the benefit of the Group, retaining the existing employees and recruiting additional human resources that are valuable to the Group for attaining the long-term development and growth of the Group, and building of common objectives of the Group and the participants for the betterment of business and profitability of the Group.

(ii) The participants of the Share Option Scheme include any employee, proposed employee, director, supplier, customer and securities holder of the Company, its subsidiaries or any entity in which the Group holds an equity interest; any person or entity that provides research, development or other technological support to such companies; any adviser or consultant to any area of business or business development of such companies; and any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group.

Report of the Directors

SHARE OPTIONS (continued)

(iii) The total number of Shares available for issue under the Share Option Scheme is 188,840,569 which represents 9.92% of the total number of Shares in issue as at the date of this report.

(iv) The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other schemes of the Company (including the exercised, cancelled and outstanding options) to each participant in any 12-month period must not exceed 1% of the total number of Shares in issue for the time being unless it is separately approved by the Shareholders in general meeting.

(v) An option may be exercised in accordance with the terms of the Share Option Scheme at any time during the period for the exercise of an option to be notified by the Board to the grantee and such period shall be determined by the Board in its discretion, but in any event such period shall not be more than 10 years from the date of grant.

(vi) The subscription price of a Share in respect of any option granted shall be determined by the Board at its absolute discretion provided that it shall not be less than the highest of: (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; (b) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant; and (c) the nominal value of the Shares.

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

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

Report of the Directors

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31 December 2017, the register maintained by the Company under Section 336 of the SFO and the public information showed that the following persons (other than the Directors) had interests in the Shares and underlying shares of the Company:

Name	Notes	**Capacity**	**Number of Shares**	**Number of underlying shares** (unlisted and physically settled equity derivative)	**Percentage of the total number of Shares in issue**
10% or more of the total Shares in issue					
Prime Surplus Limited	1	Beneficial owner	498,053,620	–	26.16%
Ho Mei Po, Mabel	2	Interest of spouse	498,053,620	–	26.16%
Chinaculture.com Limited	3	Beneficial owner	364,689,655	–	19.16%
Chuang's China Investments Limited	3	Interest of controlled corporation	364,689,655	–	19.16%
Profit Stability Investments Limited	3	Interest of controlled corporations	364,689,655	–	19.16%
Chuang's Consortium International Limited	3	Interest of controlled corporations	364,689,655	–	19.16%
Evergain Holdings Limited	3	Interest of controlled corporations	364,689,655	–	19.16%
Chong Shaw Swee, Alan	3	Interest of controlled corporations	364,689,655	–	19.16%
Chong Ho Pik Yu	3	Interest of spouse	364,689,655	–	19.16%
Below 10% of the total Shares in issue					
Broadsino Investment Company Limited	4	Beneficial owner	98,000,000	–	5.15%
Rapid Growth Ltd.	5	Trustee	–	98,000,000	5.15%
Polygold Holdings Limited	5	Interest of controlled corporation	–	98,000,000	5.15%
Xie Jian Ming	5	Interest of controlled corporations	–	98,000,000	5.15%

Report of the Directors

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

Notes:

(1) The 498,053,620 Shares were beneficially owned by Prime Surplus Limited. This interest is duplicated in the interests of Mr. Tsui Ho Chuen, Philip as disclosed in the section headed "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures" above.

(2) Ms. Ho Mei Po, Mabel is the wife of Mr. Tsui Ho Chuen, Philip and was taken to be interested in 498,053,620 Shares in which her spouse was interested under the SFO.

(3) The references to the 364,689,655 Shares relate to the same block of 364,689,655 Shares beneficially interested by Chinaculture.com Limited.

Chinaculture.com Limited was a wholly-owned subsidiary of Chuang's China Investments Limited, which in turn was a 60.71% owned subsidiary of Profit Stability Investments Limited. Chuang's Consortium International Limited held 100% equity interest in Profit Stability Investments Limited. Evergain Holdings Limited was interested in 45.06% of the issued share capital of Chuang's Consortium International Limited. Mr. Chong Shaw Swee, Alan was interested in 100% of the issued share capital of Evergain Holdings Limited. Mrs. Chong Ho Pik Yu is the wife of Mr. Chong Shaw Swee, Alan.

Chuang's China Investments Limited, Profit Stability Investments Limited, Chuang's Consortium International Limited, Evergain Holdings Limited, Mr. Chong Shaw Swee, Alan and Mrs. Chong Ho Pik Yu were all deemed under the SFO to be interested in these 364,689,655 Shares which were owned by Chinaculture.com Limited.

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

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

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

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

Save as disclosed above, the Company has not been notified by any person (other than the Directors) who had interests or short positions in the Shares or underlying shares of the Company as at 31 December 2017 which were required to be disclosed to the Company under Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

SUFFICIENCY OF PUBLIC FLOAT

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

Report of the Directors

AUDITORS

Ernst & Young will retire and a resolution for their re-appointment as auditors of the Company will be proposed at the forthcoming AGM.

On behalf of the Board
CNT Group Limited

Lam Ting Ball, Paul
Chairman
28 March 2018

Independent Auditor's Report

EY 安永

To the shareholders of CNT Group Limited
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of CNT Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 53 to 148, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Independent Auditor's Report

KEY AUDIT MATTERS (continued)

Key Audit Matters	How our audit addressed the Key Audit Matters
Impairment of trade and bills receivables	
As at 31 December 2017, the Group recorded trade and bills receivables of HK$762.5 million before provision for impairment of HK$38.4 million. The determination as to whether a receivable is impaired involved management's judgement, such as their assessment on the financial condition and creditworthiness of each debtor. Disclosures in relation to trade and bills receivables, are included in note 3 - Significant accounting judgments and estimates and note 22 - Trade and bills receivables to the financial statements.	Our audit procedures included assessing and testing the Group's processes and controls in relation to the monitoring of receivables and the granting of credit terms. We have also checked the correctness of ageing analysis prepared by the management, obtained direct confirmations from a sample of debtors and evaluated the financial position of customers with significant overdue balances. Furthermore, we have evaluated the adequacy of the impairment provision made by the management as at the end of the reporting period, with reference to the repayment history, subsequent settlement and the existence of any disputes.
Estimation of fair value of investment properties	
As at 31 December 2017, investment properties measured at fair values amounted to approximately HK$683.9 million, with a corresponding net fair value gain of HK$27.8 million recognised in profit or loss. The valuation process is inherently subjective and dependent on a number of estimates. The Group has engaged an independent professional valuer to perform the valuation of the investment properties. Disclosures in relation to the investment properties are included in note 3 - Significant accounting judgments and estimates and note 14 - Investment properties to the financial statements.	As part of our audit procedures, we have considered the objectivity, independence and competence of the valuer. We have assessed the valuation methodology adopted and the assumptions used by the valuer, and performed market value benchmarking against comparable properties. Our internal valuation experts were also involved to assist us in evaluating the methodologies adopted and the assumptions used by the valuer for valuation of investment properties held by the Group.

Independent Auditor's Report

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent Auditor's Report

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Leung Chi Kit.

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

28 March 2018

Consolidated Statement of Profit or Loss

Year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
REVENUE	5	**1,228,065**	1,164,549
Cost of sales		**(880,595)**	(776,422)
Gross profit		**347,470**	388,127
Other income and gains, net	5	**14,459**	14,217
Selling and distribution expenses		**(171,292)**	(147,969)
Administrative expenses		**(134,658)**	(137,530)
Other expenses, net		**(26,494)**	(24,987)
Fair value gains on investment properties, net	14	**27,799**	20,042
Finance costs	7	**(2,245)**	(2,510)
Share of profits and losses of associates		**3,214**	2,263
PROFIT BEFORE TAX	6	**58,253**	111,653
Income tax expenses	10	**(11,335)**	(23,969)
PROFIT FOR THE YEAR		**46,918**	87,684
ATTRIBUTABLE TO:			
Owners of the parent		**37,516**	87,666
Non-controlling interests		**9,402**	18
		46,918	87,684
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
Basic and diluted		**HK1.97 cents**	HK4.61 cents

Consolidated Statement of Comprehensive Income

Year ended 31 December 2017

	Note	**2017** **HK$'000**	2016 HK$'000
PROFIT FOR THE YEAR		**46,918**	87,684
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**54,883**	(57,712)
Share of other comprehensive income of an associate		**295**	100
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods		**55,178**	(57,612)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Remeasurement of net pension scheme assets	20	**2,176**	339
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**57,354**	(57,273)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**104,272**	30,411
ATTRIBUTABLE TO:			
Owners of the parent		**87,403**	30,636
Non-controlling interests		**16,869**	(225)
		104,272	30,411

Consolidated Statement of Financial Position

31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**276,075**	265,785
Investment properties	14	**683,923**	644,323
Properties under development	15	**28,000**	28,000
Prepaid land lease payments	16	**19,232**	18,389
Interests in associates	17	**15,360**	11,851
Available-for-sale investments	18	**92,083**	96,083
Deposits for purchases of properties, plant and equipment, and investment properties	19	**14,228**	8,662
Net pension scheme assets	20	**4,421**	2,372
Deferred tax assets	30	**5,617**	7,731
Total non-current assets		**1,138,939**	1,083,196
CURRENT ASSETS			
Inventories	21	**79,930**	79,466
Trade and bills receivables	22	**724,086**	497,235
Prepayments, deposits and other receivables	23	**60,044**	56,214
Tax recoverable		**1,233**	–
Structured deposits	24	**–**	98,666
Pledged deposits	25	**3,269**	2,268
Cash and cash equivalents	25	**382,770**	266,377
Total current assets		**1,251,332**	1,000,226
CURRENT LIABILITIES			
Trade and bills payables	26	**304,705**	214,208
Other payables and accruals	27	**126,500**	154,042
Due to an associate	17	**2,800**	2,800
Interest-bearing bank and other borrowings	28	**132,525**	154,324
Tax payable		**16,892**	17,313
Total current liabilities		**583,422**	542,687
NET CURRENT ASSETS		**667,910**	457,539
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,806,849**	1,540,735

Consolidated Statement of Financial Position

31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,806,849**	1,540,735
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	28	**1,026**	11,594
Deferred tax liabilities	30	**42,505**	45,541
Deferred income	31	**2,215**	2,346
Total non-current liabilities		**45,746**	59,481
Net assets		**1,761,103**	1,481,254
EQUITY			
Equity attributable to owners of the parent			
Issued capital	32	**190,369**	190,369
Reserves	34	**1,379,116**	1,287,267
		1,569,485	1,477,636
Non-controlling interests		**191,618**	3,618
Total equity		**1,761,103**	1,481,254

Lam Ting Ball, Paul
Director

Chong Chi Kwan
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2017

		Attributable to owners of the parent											
	Notes	Issued share capital HK$'000 (note 32)	Share premium account HK$'000	Contributed surplus HK$'000	Leasehold land and building revaluation reserve HK$'000	Investment property revaluation reserve* HK$'000	General reserve HK$'000	Exchange fluctuation reserve HK$'000	Reserve funds** HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2016		190,369	88,970	284,962	249,069	13,557	10,144	9,636	30,751	588,579	1,466,037	3,843	1,469,880
Profit for the year		–	–	–	–	–	–	–	–	87,666	87,666	18	87,684
Other comprehensive income/(loss) for the year:													
Remeasurement of net pension scheme assets	20	–	–	–	–	–	–	–	–	339	339	–	339
Share of other comprehensive income of an associate		–	–	–	–	–	–	29	71	–	100	–	100
Exchange differences on translation of foreign operations		–	–	–	–	–	–	(57,469)	–	–	(57,469)	(243)	(57,712)
Total comprehensive income for the year		–	–	–	–	–	–	(57,440)	71	88,005	30,636	(225)	30,411
Final 2015 dividend declared and paid	11	–	–	(19,037)	–	–	–	–	–	–	(19,037)	–	(19,037)
At 31 December 2016		190,369	88,970#	265,925#	249,069#	13,557#	10,144#	(47,804)#	30,822#	676,584#	1,477,636	3,618	1,481,254

Consolidated Statement of Changes in Equity

Year ended 31 December 2017

		Attributable to owners of the parent											
	Notes	Issued share capital HK$'000 (note 32)	Share premium account HK$'000	Contributed surplus HK$'000	Leasehold land and building revaluation reserve HK$'000	Investment property revaluation reserve* HK$'000	General reserve HK$'000	Exchange fluctuation reserve HK$'000	Reserve funds** HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2017		190,369	88,970	265,925	249,069	13,557	10,144	(47,804)	30,822	676,584	1,477,636	3,618	1,481,254
Profit for the year		-	-	-	-	-	-	-	-	37,516	37,516	9,402	46,918
Other comprehensive income for the year:													
Remeasurement of net pension scheme assets	20	-	-	-	-	-	-	-	-	2,176	2,176	-	2,176
Share of other comprehensive income of an associate		-	-	-	-	-	-	223	72	-	295	-	295
Exchange differences on translation of foreign operations		-	-	-	-	-	-	47,416	-	-	47,416	7,467	54,883
Total comprehensive income for the year		-	-	-	-	-	-	47,639	72	39,692	87,403	16,869	104,272
Deemed partial disposal of interest in a subsidiary	36	-	-	11,427	(1,622)	-	(2,621)	4,263	(7,217)	19,253	23,483	171,131	194,614
Final 2016 dividend declared and paid	11	-	-	(19,037)	-	-	-	-	-	-	(19,037)	-	(19,037)
At 31 December 2017		190,369	88,970#	258,315#	247,447#	13,557#	7,523#	4,098#	23,677#	735,529#	1,569,485	191,618	1,761,103

* The investment property revaluation reserve represents the attributable revaluation surplus in respect of the leasehold land and buildings which were reclassified as investment properties prior to 1 January 2000. This revaluation reserve arose when the properties were classified as land and buildings, and therefore is not available to offset subsequent revaluation deficits arising on the investment properties. The revaluation reserve is transferred to retained profits only upon the disposal or retirement of the relevant assets and such transfer is not made in the consolidated statement of profit or loss.

** Pursuant to the relevant laws and regulations for foreign investment enterprises, a portion of the profits of certain subsidiaries and an associate of the Group in the People's Republic of China (the "PRC") is required to be transferred to the PRC reserve funds which are restricted as to use. These PRC entities are not required to effect any further transfer when the amounts of the PRC reserve funds reach 50% of their registered capital. The PRC reserve funds can be used to make good the future losses of these PRC entities or to increase their registered capital.

These reserve accounts comprise the consolidated reserves of HK$1,379,116,000 (2016: HK$1,287,267,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**58,253**	111,653
Adjustments for:			
Finance costs	7	**2,245**	2,510
Share of profits and losses of associates		**(3,214)**	(2,263)
Bank interest income	5	**(1,352)**	(2,672)
Depreciation	6	**20,795**	20,764
Amortisation of prepaid land lease payments	6	**513**	524
Recognition of deferred income	5	**(295)**	(301)
Loss on disposal of items of property, plant and equipment, net	6	**61**	142
Write-off of items of property, plant and equipment	6	**558**	609
Fair value gains on investment properties, net	14	**(27,799)**	(20,042)
Fair value gains:			
Structured deposits	5	**(762)**	(3,291)
Derivative instrument – transaction not qualifying as hedge	5	**–**	(10)
Dividend income from an available-for-sale investment	5	**(240)**	(240)
Impairment of an available-for-sale investment	6	**4,000**	–
Write-back of inventories to net realisable value	6	**(2,841)**	(5,731)
Provision for impairment of trade and bills receivables	6	**7,967**	11,694
Net pension benefit expenses	20	**127**	145
		58,016	113,491
Decrease/(increase) in inventories		**7,952**	(15,113)
Increase in trade and bills receivables		**(199,123)**	(174,912)
Increase in prepayments, deposits and other receivables		**(11,989)**	(11,553)
Increase in trade and bills payables		**73,552**	93,678
Increase/(decrease) in other payables and accruals		**(29,038)**	15,857
Exchange realignment		**(6,727)**	4,933
Cash generated from/(used in) operations		**(107,357)**	26,381
Interest paid		**(2,163)**	(2,504)
Interest element of finance lease rental payments		**(78)**	(47)
Overseas taxes paid		**(8,479)**	(26,279)
Hong Kong profits tax paid		**(6,340)**	(102)
Net cash flows used in operating activities		**(124,417)**	(2,551)

Consolidated Statement of Cash Flows

Year ended 31 December 2017

	Notes	**2017 HK$'000**	2016 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(16,282)**	(22,064)
Proceeds from disposal of items of property, plant and equipment		**79**	512
Additions to investment properties	14	**–**	(557)
Investments in structured deposits		**(165,055)**	(231,709)
Proceeds from structured deposits		**266,131**	289,717
Interest received		**1,346**	2,664
Dividend received from an associate		**–**	1,588
Dividend received from an available-for-sale investment		**240**	240
Deposits paid for purchases of properties, plant and equipment, and investment properties	19	**(6,389)**	(41,873)
Increase/(decrease) in pledged time deposits with original maturity of less than three months when acquired		**961**	(961)
Decrease/(increase) in time deposits with original maturity of more than three months when acquired		**(1,962)**	80,262
Net cash flows from investing activities		**79,069**	77,819
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceed from issue of new shares of a subsidiary	36	**198,441**	–
New bank loans		**178,574**	172,737
Repayment of bank loans		**(210,581)**	(213,874)
Dividend paid		**(19,037)**	(19,037)
Capital element of finance lease rental payments		**(384)**	(192)
Net cash flows from/(used in) financing activities		**147,013**	(60,366)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**101,665**	14,902
Cash and cash equivalents at beginning of year		**266,377**	270,614
Effect of foreign exchange rate changes, net		**14,728**	(19,139)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**382,770**	266,377
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	25	**257,169**	149,034
Non-pledged time deposits with original maturity of less than three months when acquired	25	**125,601**	117,343
Cash and cash equivalents as stated in the consolidated statement of financial position and the consolidated statement of cash flows		**382,770**	266,377

Notes to Financial Statements

31 December 2017

1. CORPORATE AND GROUP INFORMATION

CNT Group Limited is a limited liability company incorporated in Bermuda. The principal place of business of the Company is located at Unit E, 28th Floor, CNT Tower, 338 Hennessy Road, Wanchai, Hong Kong.

During the year, the Company and its subsidiaries (the "Group") were involved in the following principal activities:

- manufacture and sale of paint products
- trading of iron and steel products and related investments
- property investment (including the investment in properties for rental income potential or for sale, and the proposed columbarium development in Hong Kong)

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

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
The China Paint Manufacturing Company (1932) Limited	Hong Kong	Ordinary HK$200,000 Non-voting deferred HK$1,761,300	–	75	Manufacture and sale of paint products and investment holding
The China Paint Manufacturing (Shenzhen) Co., Ltd. #*	PRC/ Mainland China	HK$70,000,000	–	75	Manufacture and sale of paint products
The China Paint Mfg. Co., (Xinfeng) Ltd. #*	PRC/ Mainland China	US$13,000,000	–	75	Manufacture and sale of paint products
AVANZAR Media Limited	Hong Kong	HK$2	–	100	Provision of advertising services and investment holding
China Utilities Limited*	British Virgin Islands ("BVI")	US$1	–	100	Investment holding
CNT Enterprises Limited*	BVI	US$1	100	–	Investment holding

Notes to Financial Statements

31 December 2017

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
CNT Finance Company Limited	Hong Kong	HK$2	–	100	Fund management
CNT Investments (BVI) Limited*	BVI	US$159,705	100	–	Investment holding
CNT Iron And Steel Limited*	BVI	US$1,566,804	100	–	Investment holding
CNT Iron And Steel Trading Company Limited	Hong Kong	HK$2	–	100	Trading of iron and steel products and investment holding
CNT-Jialing Investments Limited	Hong Kong	HK$10,000,000	–	100	Property investment
CNT Management and Secretaries Limited	Hong Kong	HK$2	–	100	Provision of management and secretarial services
CNT Property Limited	Hong Kong	HK$100,000	–	100	Property investment
CNT Resene (Distribution) Limited	Hong Kong	HK$1	–	75	Sale of paint products
CNT Resene Limited	Hong Kong	HK$2	–	75	Manufacture and sale of paint products and investment holding
CNT (BVI) Limited*	BVI	US$1	100	–	Investment holding
Conley Investment Limited	Hong Kong	HK$2	–	100	Property investment
CP Industries (BVI) Limited*	BVI	US$1,635,512	–	75	Investment holding

Notes to Financial Statements

31 December 2017

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
CPM Group Limited	Cayman Islands	HK$100,000,000	–	75	Investment holding
Dongola Holdings Limited*	BVI	US$1	–	100	Investment holding
Fan Ball Development Limited	Hong Kong	HK$10,000	–	100	Property investment and investment holding
Giraffe Paint Mfg. Co., (Shanghai) Ltd.#*	PRC/ Mainland China	US$4,000,000	–	75	Sale of paint products
Giraffe Paint Mfg. Co., (Xuzhou) Ltd.#*	PRC/ Mainland China	US$2,000,000	–	75	Manufacture and sale of paint products
Hubei Giraffe Paint Mfg. Co., Ltd.##*	PRC/ Mainland China	RMB40,000,000	–	67.9	Manufacture and sale of paint products
Joyous Cheer Limited	Hong Kong	HK$1	–	100	Proposed columbarium development
Majority Faith Corporation*	BVI	US$1	–	75	Investment holding
Profit Source Limited	Hong Kong	HK$2	–	100	Securities investment and investment holding
Rainbow Path Enterprises Limited	Hong Kong	HK$1,000	–	100	Investment holding
Rich Union Properties Limited	Hong Kong	HK$2	–	100	Investment holding
R, J & Thomas Secretaries Limited	Hong Kong	HK$30,000	–	75	Investment holding

Notes to Financial Statements

31 December 2017

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Tatpo Corporation Limited*	Liberia	US$20,872	100	–	Investment holding
Venture Decade Limited*	BVI	US$1	–	100	Investment holding
廣州市維美雲石有限公司#*	PRC/ Mainland China	HK$50,975,000	–	100	Property investment
海諾威特種塗料(新豐)有限公司#*	PRC/ Mainland China	RMB5,000,000	–	100	Property investment
北海鋼鐵(深圳)有限公司#*	PRC/ Mainland China	RMB10,000,000	–	100	Trading of iron and steel products
深圳北海裕聯投資咨詢有限公司#*	PRC/ Mainland China	RMB6,000,000	–	100	Investment holding

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

\# Wholly-foreign-owned enterprises registered under PRC law

\## Sino-foreign equity joint venture registered under PRC law

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), 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 and net pension scheme assets, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand ("HK$'000") except when otherwise indicated.

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2017. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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

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

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

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2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRS 12 included in *Annual Improvements to HKFRSs 2014-2016 Cycle*	*Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12*

None of the above amendments to HKFRSs has had a significant financial effect on these financial statements. Disclosure has been made in note 37(b) to the financial statements upon the adoption of amendments to HKAS 7, which require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

2.3 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.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1]
HKFRS 9	*Financial Instruments*[1]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 15	*Revenue from Contracts with Customers*[1]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[1]
HKFRS 16	*Leases*[2]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[2]
Amendments to HKAS 40	*Transfers of Investment Property*[1]
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[2]
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but available for adoption

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

The HKICPA issued amendments to HKFRS 2 in August 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet an employee's tax obligation associated with the share-based payment; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if they elect to adopt for all three amendments and other criteria are met. The Group will adopt the amendments from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

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 will adopt HKFRS 9 from 1 January 2018. The Group will not restate comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018. During 2017, the Group has performed a detailed assessment of the impact of the adoption of HKFRS 9. The expected impacts relate to the classification and measurement and the impairment requirements and are summarised as follows:

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2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

(a) Classification and measurement

HKFRS 9 introduces, among other things, new requirements for classification and measurement of the Group's financial assets. Equity investments currently held as available for sale will be measured at fair value through other comprehensive income as the investments are intended to be held for the foreseeable future and the Group expects to apply the option to present fair value changes in other comprehensive income. Gains and losses recorded in other comprehensive income for the equity investments cannot be recycled to profit or loss when the investments are derecognised. Debt investments held as available for sale with gains and losses recorded in other comprehensive income will, instead, be measured at fair value through profit or loss, which will increase volatility in profit or loss.

(b) Impairment

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group will apply the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade receivables. Furthermore, the Group will apply the general approach and record twelve-month expected credit losses that are estimated based on the possible default events on its other receivables within the next twelve months.

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 previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

HKFRS 15, issued in July 2014, establishes a new five-step model to 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. Either a full retrospective application or a modified retrospective adoption is required on the initial application of the standard. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group plans to adopt the transitional provisions in HKFRS 15 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2018. In addition, the Group plans to apply the new requirements only to contracts that are not completed before 1 January 2018. The Group currently expects that the transitional adjustment to be made on 1 January 2018 upon initial adoption of HKFRS 15 will not be material. During 2017, the Group has performed a high level assessment on the impact of the adoption of HKFRS 15.

The Group's principal activities consist of the manufacture and sale of paint products, the trading of iron and steel products and related investment and property investment. The Group does not expect the adoption of HKFRS 15 will have a significant financial impact on the Group's financial performance and financial position. However, the presentation and disclosure requirements in HKFRS 15 are more detailed than those under the current HKAS 18. The presentation requirements represent a significant change from current practice and will significantly increase the volume of disclosures required in the Group's financial statements. Many of the disclosure requirements in HKFRS 15 are new and the Group has assessed that the impact of some of these disclosure requirements will be significant. In particular, the Group expects that the notes to the financial statements will be expanded because of the disclosure of significant judgements made on determining the transaction prices in those contracts that include variable consideration, how the transaction prices have been allocated to the performance obligations, and the assumptions made to estimate the stand-alone selling price of each performance obligation. In addition, as required by HKFRS 15, the Group will disaggregate revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. It will also disclose information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment.

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2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

HKFRS 16, issued in May 2016, replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group expects to adopt HKFRS 16 from 1 January 2019. The Group is currently assessing the impact of HKFRS 16 upon adoption and is considering whether it will choose to take advantage of the practical expedients available and which transition approach and reliefs will be adopted. As disclosed in note 39(b) to the financial statements, at 31 December 2017, the Group had future minimum lease payments under non-cancellable operating leases in aggregate of approximately HK$1,404,000. Upon adoption of HKFRS 16, certain amounts included therein may need to be recognised as new right-of-use assets and lease liabilities. Further analysis, however, will be needed to determine the amount of new rights of use assets and lease liabilities to be recognised, including, but not limited to, any amounts relating to leases of low-value assets and short-term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of adoption.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Amendments to HKAS 40, issued in April 2017, clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to the changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at the date that it first applies the amendments and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application is only permitted if it is possible without the use of hindsight. The Group expects to adopt the amendments prospectively from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

HK(IFRIC)-Int 22, issued in June 2017, provides guidance on how to determine the date of the transaction when applying HKAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. Entities may apply the interpretation on a full retrospective basis or on a prospective basis, either from the beginning of the reporting period in which the entity first applies the interpretation or the beginning of the prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation. The Group expects to adopt the interpretation prospectively from 1 January 2018. The interpretation is not expected to have any significant impact on the Group's financial statements.

HK(IFRIC)-Int 23, issued in July 2017, addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 January 2019. The interpretation are not expected to have any significant impact on the Group's financial statements.

Notes to Financial Statements

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's interests in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

Fair value measurement

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

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

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, net pension scheme assets, financial assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to the write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land and buildings	2% – 4% or over the lease terms, whichever rate is higher
Leasehold improvements	10% – 33% or over the lease terms, whichever rate is higher
Plant and machinery	9% – 25%
Furniture, fixtures and equipment	10% – 33%
Motor vehicles	18% – 25%

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

The transitional provisions set out in paragraph 80AA of HKAS 16 *Property, Plant and Equipment* have been adopted for certain of the Group's leasehold land and buildings stated at valuation. As a result, those assets stated at revalued amounts based on revaluations which were reflected in the financial statements for periods ended before 30 September 1995 have not been further revalued after that date.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress mainly represents buildings, leasehold improvements and plant and machinery under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

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31 December 2017

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is dealt with as movements in the leasehold land and building revaluation reserve. For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the statement of profit or loss.

Properties under development

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

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

Investments and other financial assets

Initial recognition and measurement

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

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purposes of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as other expenses in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement (continued)

Financial assets at fair value through profit or loss (continued)

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss.

Available-for-sale financial investments

Available-for-sale financial investments of the Group are non-derivative financial assets in unlisted equity investments. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in a separate component of equity until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the separate component of equity to the statement of profit or loss. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement (continued)

Available-for-sale financial investments (continued)

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

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

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to the statement of profit or loss.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

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

Financial liabilities

Initial recognition and measurement

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

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

Notes to Financial Statements

31 December 2017

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (a) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (b) the amount initially recognised less, when appropriate, cumulative amortisation.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as interest rate swaps, to hedge its interest rate risk. These derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and is subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of manufacturing overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Notes to Financial Statements

31 December 2017

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

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

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

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

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

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

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Notes to Financial Statements

31 December 2017

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Revenue recognition

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

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

(b) rental income, on a time proportion basis over the lease terms;

(c) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset;

(d) commission income and service fee income, in the period in which the related services are rendered; and

(e) dividend income, when the shareholders' right to receive payment has been established.

Notes to Financial Statements

31 December 2017

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments

The Company operates share option schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense it recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options, if any, is reflected as additional share dilution in the computation of earnings per share.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other employee benefits

Pension schemes and other retirement benefits

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

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

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

- the date of the scheme amendment or curtailment; and

- the date that the Group recognises restructuring-related costs.

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

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

- net interest expense or income.

The Group also operates defined contribution schemes under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the schemes. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the schemes. The assets of the schemes are held separately from those of the Group in independently administered funds. When an employee leaves the employment prior to his/her interest in the Group's employer contributions vesting fully, the relevant amount of forfeited benefits may be refunded to the Group or used to reduce the ongoing contributions payable by the Group. In respect of the Mandatory Provident Fund retirement benefit schemes, the Group's employer contributions vest fully with the employees when contributed into the schemes.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain specific percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

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31 December 2017

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividend

Final dividend is recognised as a liability when the dividend is approved by the shareholders in a general meeting. Proposed final dividend is disclosed in a note to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries and associates are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments – Group as lessor

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

Classification between investment properties and owner-occupied properties

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

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

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

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31 December 2017

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty

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

Estimation of fair value of investment properties

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

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

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

(c) the income capitalisation method based on the capitalisation of existing rental income and reversionary market rental income, supported by the market rentals expected by investors for similar properties in the neighbourhood and by the market yield derived from analysing the sales transactions of similar properties.

The carrying amount of investment properties at 31 December 2017 was HK$683,923,000 (2016: HK$644,323,000). Further details, including the key assumptions used for fair value measurement, are given in note 14 to the financial statements.

Impairment of available-for-sale investments

In the absence of current prices in an active market for similar investments, the Group considers the discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of existing contracts, planned capacity and unit sale revenue, and by using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The carrying amount of the available-for-sale investments at 31 December 2017 was HK$92,083,000 (2016: HK$96,083,000), net of impairment of HK$142,783,000 (2016: HK$138,783,000).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Provision and write-down of inventories to net realisable value

The Group's management reviews the condition of inventories of the Group and makes provision for obsolete and slow-moving inventory items. The Group carries out an inventory review on a product-by-product basis at the end of each reporting period and makes provision for obsolete items. Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. The Group's management reassesses the estimation at the end of each reporting period.

Provision for income taxes

Provision for income tax is made based on the taxable income for the period as determined by the Group. The determination of taxable income involves the exercise of judgement on interpretation of the relevant tax rules and regulations. The amounts of income tax and hence profit or loss could be affected by any interpretations and clarifications which the tax authority may issue from time to time.

Impairment of trade and bills receivables

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

The Group maintains an allowance for the estimated loss arising from the inability of its debtors to make the required payments. The Group makes its estimates based on the ageing 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.

Notes to Financial Statements

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4. OPERATING SEGMENT INFORMATION

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

(a) the paint products segment engages in the manufacture and sale of paint products;

(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, the provision of advertising services and investment holding.

The chief operating decision-maker regularly reviews the operating results of the Group's operating segments separately for the purpose of resource 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, fair value gains on structured deposit, finance costs, as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude cash and cash equivalents, pledged deposits, structured deposits, tax recoverable, 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 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.

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4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2017	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	995,958	33,718	198,389	–	1,228,065
Intersegment sales	–	5,583	–	2,900	8,483
Other revenue and gains	7,627	27,722	751	4,044	40,144
	1,003,585	67,023	199,140	6,944	1,276,692
Reconciliation:					
Elimination of intersegment sales					(8,483)
Total					1,268,209
Segment results	21,648	52,273	3,552	(229)	77,244
Reconciliation:					
Elimination of intersegment results					(605)
Interest income					1,352
Fair value gains on structured deposits					762
Finance costs					(2,245)
Corporate and other unallocated expenses					(18,255)
Profit before tax					58,253
Segment assets	1,052,196	800,916	48,269	92,045	1,993,426
Reconciliation:					
Elimination of intersegment receivables					(1,011)
Corporate and other unallocated assets					397,856
Total assets					2,390,271
Segment liabilities	407,547	11,119	13,190	261	432,117
Reconciliation:					
Elimination of intersegment payables					(1,011)
Corporate and other unallocated liabilities					198,062
Total liabilities					629,168

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4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2017	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	–	(1,565)	(1,649)	–	(3,214)
Interests in associates	–	2,525	12,835	–	15,360
Depreciation	18,212	2,457	26	3	20,698
Corporate and other unallocated depreciation					97
					20,795
Capital expenditure	17,542	5,131	–	–	22,673
Corporate and other unallocated capital expenditure					13
					22,686*
Fair value gains on investment properties, net	–	(27,799)	–	–	(27,799)
Impairment of an available-for-sale investment	–	–	–	4,000	4,000
Provision for impairment of trade and bills receivables	7,967	–	–	–	7,967
Write-back of inventories to net realisable value	(2,841)	–	–	–	(2,841)

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31 December 2017

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2016	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	937,450	33,798	193,301	–	1,164,549
Intersegment sales	–	6,041	–	3,370	9,411
Other revenue and gains	7,219	20,089	676	312	28,296
	944,669	59,928	193,977	3,682	1,202,256
Reconciliation:					
Elimination of intersegment sales					(9,411)
Total					1,192,845
Segment results	69,709	46,391	4,376	79	120,555
Reconciliation:					
Elimination of intersegment results					(213)
Interest income					2,672
Fair value gains on structured deposits					3,291
Finance costs					(2,510)
Corporate and other unallocated expenses					(12,142)
Profit before tax					111,653
Segment assets	766,562	759,392	84,499	96,041	1,706,494
Reconciliation:					
Elimination of intersegment receivables					(952)
Corporate and other unallocated assets					377,880
Total assets					2,083,422
Segment liabilities	341,779	8,211	19,836	228	370,054
Reconciliation:					
Elimination of intersegment payables					(952)
Corporate and other unallocated liabilities					233,066
Total liabilities					602,168

Notes to Financial Statements
31 December 2017

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2016	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	–	(1,590)	(673)	–	(2,263)
Interests in associates	–	960	10,891	–	11,851
Depreciation	18,174	2,468	17	3	20,662
Corporate and other unallocated depreciation					102
					20,764
Capital expenditure	26,081	40,257	66	–	66,404*
Fair value gains on investment properties	–	(20,042)	–	–	(20,042)
Provision for impairment of trade and bills receivables	11,694	–	–	–	11,694
Write-back of inventories to net realisable value	(5,731)	–	–	–	(5,731)

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

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4. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	2017 HK$'000	2016 HK$'000
Hong Kong	**116,153**	111,176
Mainland China	**1,111,912**	1,053,373
	1,228,065	1,164,549

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

(b) Non-current assets

	2017 HK$'000	2016 HK$'000
Hong Kong	**632,726**	605,872
Mainland China	**404,092**	371,138
	1,036,818	977,010

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

Information about a major customer

During the years ended 31 December 2017 and 2016, no revenue from any single customer accounted for 10% or more of the total revenue of the Group.

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5. REVENUE, OTHER INCOME AND GAINS, NET

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts; an appropriate proportion of value of services rendered; and gross rental income received and receivable from investment properties during the year.

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

	Note	2017 HK$'000	2016 HK$'000
Revenue			
Sale of paint products		**995,958**	937,450
Sale of iron and steel products		**198,389**	193,301
Gross rental income from investment properties		**33,718**	33,798
		1,228,065	1,164,549
Other income			
Bank interest income		**1,352**	2,672
Dividend income from an available-for-sale investment		**240**	240
Government grants*		**4,819**	4,641
Commission income		**58**	210
Recognition of deferred income	31	**295**	301
Others		**3,487**	2,852
		10,251	10,916
Gains, net			
Fair value gains:			
Structured deposits		**762**	3,291
Derivative instrument			
– transaction not qualifying as hedge		**–**	10
Foreign exchange differences		**3,446**	–
		4,208	3,301
Total other income and gains, net		**14,459**	14,217

* Government grants have been received from certain government authorities of the PRC in recognition of the Group's efforts in environmental awareness and protection and technological development. There are no unfulfilled conditions or contingencies relating to these grants.

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6. PROFIT BEFORE TAX

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

	Notes	**2017** **HK$'000**	2016 HK$'000
Cost of inventories sold		**880,595**	776,422
Depreciation	13	**20,795**	20,764
Amortisation of prepaid land lease payments	16	**513**	524
Minimum lease payments under operating leases in respect of land and buildings		**7,466**	5,996
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties		**3,880**	2,339
Auditor's remuneration:			
Audit related services		**4,591**	6,682^
Other services		**440**	592
		5,031	7,274
Employee benefit expense (excluding directors' remuneration (note 8)):			
Wages, salaries, bonuses, allowances and welfare		**153,263**	163,988
Pension scheme contributions (defined contribution schemes)#		**18,970**	15,089
Net pension benefit expenses recognised (defined benefit schemes)	20	**127**	145
		172,360	179,222
Foreign exchange differences, net*		**(3,446)**	613
Write-back of inventories to net realisable value		**(2,841)**	(5,731)
Provision for impairment of trade and bills receivables*	22	**7,967**	11,694
Impairment of an available-for-sale investment*	18	**4,000**	–
Loss on disposal of items of property, plant and equipment, net*		**61**	142
Write-off of items of property, plant and equipment*	13	**558**	609

^ The amount also included assurance services in connection with the proposed listing of paint business of the Group.

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

At 31 December 2017 and 2016, the Group had no material forfeited contributions available to reduce its contributions to the retirement benefit schemes in future years.

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7. FINANCE COSTS

An analysis of finance costs is as follows:

	2017 HK$'000	2016 HK$'000
Interest on bank loans	**2,167**	2,463
Interest on finance leases	**78**	47
	2,245	2,510

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2017 HK$'000	2016 HK$'000
Fees:		
Executive directors	**2,100**	2,100
Non-executive directors	**400**	277
Independent non-executive directors	**400**	600
	2,900	2,977
Other emoluments:		
Salaries, allowances and benefits in kind	**9,040**	8,878
Discretionary bonuses	**3,825**	1,105
Pension scheme contributions	**386**	386
Consultancy fee	**444**	444
Other fee	**300**	–
	13,995	10,813
	16,895	13,790

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31 December 2017

8. DIRECTORS' REMUNERATION (continued)

(a) Independent non-executive directors

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

	2017 HK$'000	2016 HK$'000
Sir David Akers-Jones *(resigned on 19 July 2017)*	–	200
Steven Chow *(resigned on 9 June 2017)*	–	100
Danny T Wong	200	200
Wu Hong Cho *(appointed on 19 July 2017)*	100	–
Zhang Xiaojing	100	100
	400	600

There were no other emoluments payable to the independent non-executive directors during the year (2016: Nil).

(b) Executive directors and non-executive directors

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Pension scheme contributions HK$'000	Other emolument HK$'000	Total remuneration HK$'000
2017						
Executive directors:						
Lam Ting Ball, Paul	1,100	2,161	100	18	100*	3,479
Chong Chi Kwan	560	1,268	1,900	18	100*	3,846
Tsui Ho Chuen, Philip *(re-designated as non-executive director on 10 July 2017)*	440	2,619	–	175	–	3,234
	2,100	6,048	2,000	211	200	10,559
Non-executive directors:						
Chan Wa Shek	100	–	–	–	444#	544
Zhang Yulin	100	–	–	–	–	100
Hung Ting Ho, Richard	100	–	–	–	–	100
Tsui Ho Chuen, Philip *(re-designated as non-executive director on 10 July 2017)*	100	2,992	1,825	175	100*	5,192
	400	2,992	1,825	175	544	5,936
	2,500	9,040	3,825	386	744	16,495

Notes to Financial Statements

31 December 2017

8. DIRECTORS' REMUNERATION (continued)

(b) Executive directors and non-executive directors (continued)

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Pension scheme contributions HK$'000	Other emolument HK$'000	Total remuneration HK$'000
2016						
Executive directors:						
Lam Ting Ball, Paul	860	2,162	75	18	–	3,115
Tsui Ho Chuen, Philip	880	5,595	730	350	–	7,555
Chong Chi Kwan	360	1,121	300	18	–	1,799
	2,100	8,878	1,105	386	–	12,469
Non-executive directors:						
Chan Wa Shek	100	–	–	–	444#	544
Zhang Yulin	100	–	–	–	–	100
Hung Ting Ho, Richard *(appointed on 4 July 2016)*	49	–	–	–	–	49
Ko Sheung Chi *(resigned on 12 April 2016)*	28	–	–	–	–	28
	277	–	–	–	444	721
	2,377	8,878	1,105	386	444	13,190

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2016: Nil).

For consultancy services provided to the Company related to project development and related matters in Hong Kong and the PRC.

* Fee paid for their capacity as directors of CPM Group Limited.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three directors (2016: two), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of two (2016: three) highest paid employees who are non-directors for the year are as follows:

	2017 HK$'000	2016 HK$'000
Salaries, allowances and benefits in kind	**5,628**	7,479
Discretionary bonuses	**792**	1,393
Pension scheme contributions	**18**	124
	6,438	8,996

The remuneration of the highest paid employees who are non-directors by band is set out below:

	Number of employees	
	2017	2016
HK$2,000,001 to HK$2,500,000	**–**	1
HK$3,000,001 to HK$3,500,000	**2**	1
HK$3,500,001 to HK$4,000,000	**–**	1
	2	3

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10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

All subsidiaries of the Group established in Mainland China are subject to the PRC corporate income tax at a standard rate of 25% (2016: 25%) during the year, except for subsidiaries of the Group which qualified as PRC High and New Technology Enterprise in Mainland China and a lower PRC corporate income tax rate of 15% (2016: 15%) had been applied during the year.

	2017	2016
	HK$'000	HK$'000
Current – Hong Kong		
Charge for the year	**3,017**	4,250
Overprovision in prior years	**(40)**	(60)
Current – Elsewhere		
Charge for the year	**11,816**	20,506
Underprovision/(overprovision) in prior years	**(2,504)**	3
Deferred (note 30)	**(954)**	(730)
Total tax charge for the year	**11,335**	23,969

Notes to Financial Statements

31 December 2017

10. INCOME TAX (continued)

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdiction in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate, and a reconciliation of the applicable rate (i.e., the statutory tax rate) to the effective tax rate, are as follows:

	2017		2016	
	HK$'000	**%**	HK$'000	%
Profit before tax	**58,253**		111,653	
Tax at the statutory tax rate	**9,612**	**16.5**	18,423	16.5
Different tax rates for specific provinces in the PRC, net	**11**	**–**	(2,024)	(1.8)
Adjustments in respect of current tax of previous periods	**(2,544)**	**(4.3)**	(57)	–
Profits and losses attributable to associates	**(530)**	**(0.9)**	(373)	(0.3)
Income not subject to tax	**(7,886)**	**(13.5)**	(3,578)	(3.2)
Expenses not deductible for tax	**7,259**	**12.5**	8,559	7.7
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries	**–**	**–**	1,818	1.6
Tax losses utilised from previous periods	**(1,226)**	**(2.1)**	(4,965)	(4.5)
Tax losses not recognised	**6,584**	**11.3**	6,166	5.5
Others	**55**	**–**	–	–
Tax charge at the Group's effective rate	**11,335**	**19.5**	23,969	21.5

The share of tax attributable to an associate amounting to HK$287,000 (2016: HK$303,000) is included in "Share of profits and losses of associates" in the consolidated statement of profit or loss.

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11. DIVIDEND

	2017 HK$'000	2016 HK$'000
Proposed final – HK1.0 cent (2016: HK1.0 cent) per ordinary share	**19,037**	19,037

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 2018.

At the annual general meeting held on 1 June 2017, the Company's shareholders approved the distribution of the final dividend for the year ended 31 December 2016 of HK1.0 cent per share which amounted to approximately HK$19,037,000.

12. 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$37,516,000 (2016: HK$87,666,000), and the weighted average number of ordinary shares of 1,903,685,690 (2016: 1,903,685,690) in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2017 and 2016 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during these years.

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13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Construction in progress HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2017							
At 31 December 2016 and at 1 January 2017:							
Cost or valuation	333,283	15,799	21,065	144,144	38,023	20,088	572,402
Accumulated depreciation and impairment	(131,059)	–	(17,984)	(112,395)	(30,538)	(14,641)	(306,617)
Net carrying amount	202,224	15,799	3,081	31,749	7,485	5,447	265,785
At 1 January 2017, net of accumulated depreciation and impairment	202,224	15,799	3,081	31,749	7,485	5,447	265,785
Additions	500	9,436	978	3,030	1,365	988	16,297
Disposals	–	–	–	(24)	(8)	(108)	(140)
Write-off (note 6)	(11)	–	(31)	(420)	(96)	–	(558)
Transfer from deposits for purchases of properties, plant and equipment, and investment properties (note 19)	–	–	–	868	–	707	1,575
Transfer	26,474	(26,474)	–	–	–	–	–
Depreciation provided during the year (note 6)	(10,083)	–	(980)	(5,229)	(2,620)	(1,883)	(20,795)
Exchange realignment	8,860	1,627	194	2,547	491	192	13,911
At 31 December 2017, net of accumulated depreciation and impairment	227,964	388	3,242	32,521	6,617	5,343	276,075
At 31 December 2017:							
Cost or valuation	376,576	388	22,735	155,257	37,945	21,029	613,930
Accumulated depreciation and impairment	(148,612)	–	(19,493)	(122,736)	(31,328)	(15,686)	(337,855)
Net carrying amount	227,964	388	3,242	32,521	6,617	5,343	276,075

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13. PROPERTY, PLANT AND EQUIPMENT (continued)

	Leasehold land and buildings HK$'000	Construction in progress HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2016							
At 1 January 2016:							
Cost or valuation	348,181	–	22,141	155,292	38,785	19,767	584,166
Accumulated depreciation and impairment	(126,588)	–	(17,779)	(117,164)	(31,442)	(15,237)	(308,210)
Net carrying amount	221,593	–	4,362	38,128	7,343	4,530	275,956
At 1 January 2016, net of accumulated depreciation and impairment	221,593	–	4,362	38,128	7,343	4,530	275,956
Additions	–	16,600	57	902	3,922	2,493	23,974
Disposals	–	–	–	(105)	(78)	(471)	(654)
Write-off (note 6)	–	–	(6)	(484)	(119)	–	(609)
Transfer from deposits for purchases of properties, plant and equipment, and investment properties (note 19)	–	–	–	549	100	640	1,289
Depreciation provided during the year (note 6)	(11,331)	–	(566)	(4,918)	(2,359)	(1,590)	(20,764)
Exchange realignment	(8,038)	(801)	(766)	(2,323)	(1,324)	(155)	(13,407)
At 31 December 2016, net of accumulated depreciation and impairment	202,224	15,799	3,081	31,749	7,485	5,447	265,785
At 31 December 2016:							
Cost or valuation	333,283	15,799	21,065	144,144	38,023	20,088	572,402
Accumulated depreciation and impairment	(131,059)	–	(17,984)	(112,395)	(30,538)	(14,641)	(306,617)
Net carrying amount	202,224	15,799	3,081	31,749	7,485	5,447	265,785

13. PROPERTY, PLANT AND EQUIPMENT (continued)

The net carrying amounts of items of property, plant and equipment held under finance leases included in the total amounts of furniture, fixtures and equipment and motor vehicles at the end of the reporting period were as follows:

	2017	2016
	HK$'000	HK$'000
Furniture, fixtures and equipment	**64**	69
Motor vehicles	**1,464**	1,846
	1,528	1,915

Certain of the Group's leasehold land and buildings situated in Hong Kong and Mainland China were revalued at 31 December 1994 by Vigers Appraisal & Consulting Limited, an independent professionally qualified valuer. The leasehold land and buildings situated in Hong Kong were revalued at open market value, based on their existing use. The leasehold land and buildings situated in Mainland China were revalued based on a combination of the market and the depreciated replacement costs. Since 31 December 1994, no further revaluations of the Group's leasehold land and buildings have been carried out, as the Group has relied upon the exemption granted under the transitional provisions in paragraph 80AA of HKAS 16 from the requirement to carry out future revaluations of its property, plant and equipment which were stated at valuation at that time. Certain leasehold land and buildings of the Group which had been revalued in 1994 were classified as finance leases under paragraph 16 of HKAS 17 as the lease payments could not be allocated reliably between the land and building elements. Accordingly, the entire lease has been classified as a finance lease of the Group's property, plant and equipment.

Had Group's leasehold land and buildings been carried at historical cost less accumulated depreciation and impairment, their total carrying amount at 31 December 2017 would have been HK$26,341,000 (2016: HK$25,155,000).

At 31 December 2017, certain of the above land and buildings with an aggregate net carrying amount of HK$82,615,000 (2016: HK$85,024,000) were pledged to secure general banking facilities granted to the Group (note 28).

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14. INVESTMENT PROPERTIES

	Note	2017 HK$'000	2016 HK$'000
Carrying amount at 1 January		**644,323**	569,937
Additions		**–**	557
Fair value gains, net		**27,799**	20,042
Transfer from deposits for purchases of properties, plant and equipment, and investment properties	19	**–**	61,147
Exchange realignment		**11,801**	(7,360)
Carrying amount at 31 December		**683,923**	644,323

The Group's investment properties consist of residential, commercial and industrial properties in Hong Kong and the PRC. The directors of the Company have determined that the investment properties consist of five classes of asset, i.e., commercial and industrial in Hong Kong and residential, commercial and industrial in the PRC, based on the nature, characteristics and risks of each property. The Group's investment properties were revalued on 31 December 2017 based on valuations performed by BMI Appraisals Limited, an independent professionally qualified valuer. The Group's finance department who reports directly to the senior management selects an external valuer to be responsible for the external valuation of the Group's properties based on market knowledge, reputation and independence of the external valuer, and whether professional standards are maintained by the external valuer. Fair values of the Group's investment properties are generally derived by using the income capitalisation method or market comparison approach. The Group's finance department has discussion with the external valuer on the valuation assumptions and valuation results when the valuation is performed for interim and annual financial reporting.

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

The market comparison approach is based on the price by assuming sale of the property interest in its existing state by making reference to comparable sales transactions as available in the relevant market.

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14. INVESTMENT PROPERTIES (continued)

Fair value hierarchy

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

Investment properties held by the Group	Fair value hierarchy	Valuation techniques	Significant unobservable inputs	Range or weighted average 2017	2016
Commercial properties in Hong Kong	Level 3	Income capitalisation method	Prevailing market rents (per sq.ft. and per month)	**HK$29 to HK$104**	HK$29 to HK$116
			Capitalisation rates	**2.4% to 2.9%**	2.6% to 3.2%
Commercial properties in Mainland China	Level 3	Income capitalisation method	Prevailing market rents (per sq.m. and per month)	**RMB135 to RMB220**	RMB155 to RMB174
			Capitalisation rates	**5.0% to 5.3%**	4.3% to 5.3%
		Market comparison approach	Prevailing market rates (per sq.m.)	**RMB39,000 to RMB75,000**	RMB37,000 to RMB84,000
Industrial properties in Hong Kong	Level 3	Income capitalisation method	Prevailing market rents (per sq.ft. and per month)	**HK$8 to HK$25**	HK$7 to HK$28
			Capitalisation rates	**3.5% to 8.2%**	3.5% to 8.6%
Industrial property in Mainland China	Level 3	Income capitalisation method	Prevailing market rents (per sq.m. and per month)	**RMB16**	RMB13
			Capitalisation rates	**9.0%**	8.0%
Residential properties in Mainland China	Level 3	Income capitalisation method	Prevailing market rents (per sq.m. and per month)	**Not applicable**	RMB39 to RMB51
			Capitalisation rates	**Not applicable**	1.2%
		Market comparison approach	Prevailing market rates (per sq.m.)	**RMB38,000 to RMB41,000**	Not applicable

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14. INVESTMENT PROPERTIES (continued)

Fair value hierarchy (continued)

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2016: Nil).

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

Under the market comparison approach, a significant increase (decrease) in the prevailing market rates in isolation would result in a significant increase (decrease) in the fair value of the investment properties.

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

	Residential properties in Mainland China HK$'000	Commercial properties in Hong Kong HK$'000	Commercial properties in Mainland China HK$'000	Industrial properties in Hong Kong HK$'000	Industrial property in Mainland China HK$'000	Total HK$'000
Carrying amount at 1 January 2016	36,999	159,400	34,755	315,510	23,273	569,937
Additions	557	–	–	–	–	557
Fair value gains	2,540	1,500	5,633	7,880	2,489	20,042
Transfer from deposits for purchases of properties, plant and equipment, and investment properties	–	–	61,147	–	–	61,147
Exchange realignment	(2,475)	–	(3,362)	–	(1,523)	(7,360)
Carrying amount at 31 December 2016 and 1 January 2017	**37,621**	**160,900**	**98,173**	**323,390**	**24,239**	**644,323**
Fair value gains/(losses), net	**(770)**	**9,900**	**(9)**	**16,590**	**2,088**	**27,799**
Exchange realignment	**2,775**	**–**	**7,134**	**–**	**1,892**	**11,801**
Carrying amount at 31 December 2017	**39,626**	**170,800**	**105,298**	**339,980**	**28,219**	**683,923**

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 39(a).

At 31 December 2017, certain of the Group's investment properties with an aggregate carrying value of HK$510,780,000 (2016: HK$484,290,000) were pledged to secure general banking facilities granted to the Group (note 28).

Further particulars of the Group's investment properties are included on pages 149 to 150.

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15. PROPERTIES UNDER DEVELOPMENT

	2017 HK$'000	2016 HK$'000
Carrying amount at 1 January and at 31 December	**28,000**	28,000

The properties under development are situated in Hong Kong. On 14 November 2017, the final hearing section of the Appeal Board Panel (Town Planning) of Hong Kong (the "Appeal Board"), has conditionally approved the development of columbarium application. The Appeal Board has imposed several conditions to be fulfilled by the Group within four year as commencing from date of decision.

Further particulars of the Group's properties under development are included on page 151.

16. PREPAID LAND LEASE PAYMENTS

	2017 HK$'000	2016 HK$'000
Carrying amount at 1 January	**18,389**	20,181
Recognised during the year (note 6)	**(513)**	(524)
Exchange realignment	**1,356**	(1,268)
Carrying amount at 31 December	**19,232**	18,389

17. INTERESTS IN ASSOCIATES

	2017 HK$'000	2016 HK$'000
Share of net assets	**15,360**	11,851

The amount due to an associate included in the Group's current liabilities as at 31 December 2017 of HK$2,800,000 (2016: HK$2,800,000) was unsecured, interest-free and repayable with not less than 30 days' prior written notice.

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17. INTERESTS IN ASSOCIATES (continued)

Particulars of the principal associates are as follows:

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

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Arran Investment Company Limited and CNT Tin Plate Limited were corporate associates indirectly held by the Company as at 31 December 2017. The financial year of CNT Tin Plate Limited is coterminous with that of the Group, while Arran Investment Company, Limited uses a financial year end date of 31 October. The consolidated financial statements are adjusted for material transactions between this associate and the Group between the financial year end date of this associate and that of the Group.

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

17. INTERESTS IN ASSOCIATES (continued)

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

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

	2017	2016
	HK$'000	HK$'000
Current assets	**51**	65
Non-current assets	**67,227**	63,296
Current liabilities	**(332)**	(333)
Non-current liabilities	**(41,275)**	(41,246)
Net assets	**25,671**	21,782
Reconciliation to the Group's interest in the associate:		
Proportion of Group's ownership	**50%**	50%
Group's share of net assets of the associate	**12,835**	10,891
Carrying amount of the investment	**12,835**	10,891
Revenue	**–**	–
Profit for the year	**3,297**	1,346
Other comprehensive income	**590**	200
Total comprehensive income for the year	**3,887**	1,546

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

	2017	2016
	HK$'000	HK$'000
Share of the associate's profit for the year	**1,565**	1,590
Share of the associate's total comprehensive income	**1,565**	1,590
Dividends paid by the associate during the year	**–**	1,588
Aggregate carrying amount of the Group's investment in the associate	**2,525**	960

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18. AVAILABLE-FOR-SALE INVESTMENTS

	2017 HK$'000	2016 HK$'000
Unlisted equity investments, at cost	**234,866**	234,866
Impairment	**(142,783)**	(138,783)
	92,083	96,083

Included in the above provision for impairment of available-for-sale investments as at the end of the reporting period was a provision for individually impaired investments of HK$142,783,000 (2016: HK$138,783,000) with an aggregate carrying amount before provision of HK$234,866,000 (2016: HK$234,866,000). The individually impaired investments relate to companies that either had been loss-making for some time or invested in development projects with reduced estimated future cash flows due to changes in development plans and market conditions. The directors are of the opinion that the individually impaired investments are not expected to be fully recoverable.

The available-for-sale investments consist of investments in equity securities which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate. These unlisted equity investments were stated at cost less impairment because the range of reasonable fair value estimates is so significant that the Company's directors are of the opinion that their fair value cannot be measured reliably. At the end of the reporting period, the Group did not intend to dispose of them in the near future.

During the year ended 31 December 2017, an impairment loss of HK$4,000,000 (2016: Nil) was recognised for an available-for-sale investment of the Group, since the recoverable amount of the unlisted equity investment is lower than its carrying amount due to the uncertainty of the future profitability of that investment.

19. DEPOSITS FOR PURCHASES OF PROPERTIES, PLANT AND EQUIPMENT, AND INVESTMENT PROPERTIES

	Notes	2017 HK$'000	2016 HK$'000
Carrying amount at 1 January		**8,662**	32,477
Transfer to property, plant and equipment	13	**(1,575)**	(1,289)
Transfer to investment properties	14	**–**	(61,147)
Additions		**6,389**	41,873
Exchange realignment		**752**	(3,252)
Carrying amount at 31 December		**14,228**	8,662

As at 31 December 2017, the carrying amount represented deposits paid for the purchases of a parcel of land in Xinfeng, Guangdong Province, the PRC, residential premises in Zhongshan, Guangdong Province, the PRC, and machinery and equipment for the Group's paint operation.

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20. NET PENSION SCHEME ASSETS

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

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

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

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

The most recent actuarial valuations of the scheme assets and the present value of the defined benefit obligations were carried out at 31 December 2017 by Grant Sherman Appraisal Limited, an independent professional actuarial advisor, using the projected unit credit actuarial valuation method.

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

	2017	2016
Discount rate	**1.7%**	1.8%
Expected rate of salary increases	**2.5%**	2.5%

The actuarial valuation showed that the market value of scheme assets was HK$9,259,000 (2016: HK$8,065,000) and that the actuarial value of these assets represented 191% (2016: 142%) of the benefits that had accrued to qualifying employees.

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20. NET PENSION SCHEME ASSETS (continued)

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

	Increase in rate %	Increase/ (decrease) in net pension scheme assets HK$'000	Decrease in rate %	Increase/ (decrease) in net pension scheme assets HK$'000
2017				
Discount rate	**5**	**27**	**(5)**	**(28)**
Future salary increase	**5**	**(63)**	**(5)**	**62**
2016				
Discount rate	5	42	(5)	(40)
Future salary increase	5	(51)	(5)	51

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

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

	2017 HK$'000	2016 HK$'000
Current service cost	**172**	179
Interest cost	**(45)**	(34)
Net pension benefit expenses recognised in administrative expenses	**127**	145

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20. NET PENSION SCHEME ASSETS (continued)

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

	2017 HK$'000	2016 HK$'000
At 1 January	**5,693**	5,898
Current service cost	**172**	179
Interest cost	**100**	91
Remeasurements:		
– Actuarial gains arising from changes in demographic assumptions	**(83)**	(12)
– Actuarial losses/(gains) arising from changes in financial assumptions	**11**	(106)
– Experience adjustments	**(37)**	(139)
Benefit paid	**(1,018)**	(218)
At 31 December	**4,838**	5,693

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

2017

		Pension cost credited/ (charged) to profit or loss				Remeasurement gains/(losses) in other comprehensive income						
	1 January 2017 HK$'000	Service cost HK$'000	Net interest expense HK$'000	Sub-total included in profit or loss HK$'000	Benefit paid HK$'000	Return on scheme assets (excluding amounts included in net interest expense) HK$'000	Actuarial changes arising from changes in demographic assumptions HK$'000	Actuarial changes arising from changes in financial assumptions HK$'000	Experience adjustments HK$'000	Employer contributions HK$'000	Sub-total included in other comprehensive income HK$'000	31 December 2017 HK$'000
Fair value of scheme assets	8,065	-	145	145	(1,018)	1,749	-	-	-	318	2,067	9,259
Defined benefit obligations	(5,693)	(172)	(100)	(272)	1,018	-	83	(11)	37	-	109	(4,838)
Net pension scheme assets	2,372	(172)	45	(127)	-	1,749	83	(11)	37	318	2,176	4,421

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20. NET PENSION SCHEME ASSETS (continued)

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

2016

		Pension cost credited/ (charged) to profit or loss				Remeasurement gains/(losses) in other comprehensive income						
	1 January 2016 HK$'000	Service cost HK$'000	Net interest expense HK$'000	Sub-total included in profit or loss HK$'000	Benefit paid HK$'000	Return on scheme assets (excluding amounts included in net interest expense) HK$'000	Actuarial changes arising from changes in demographic assumptions HK$'000	Actuarial changes arising from changes in financial assumptions HK$'000	Experience adjustments HK$'000	Employer contributions HK$'000	Sub-total included in other comprehensive income HK$'000	31 December 2016 HK$'000
Fair value of scheme assets	8,076	-	125	125	(218)	82	-	-	-	-	82	8,065
Defined benefit obligations	(5,898)	(179)	(91)	(270)	218	-	12	106	139	-	257	(5,693)
Net pension scheme assets	2,178	(179)	34	(145)	-	82	12	106	139	-	339	2,372

The Group does not expect to pay any contribution in the future years.

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

	2017 HK$'000	2016 HK$'000
Equities, quoted in active markets	**7,333**	6,250
Bonds	**1,556**	1,629
Money market instruments	**370**	186
	9,259	8,065

The weighted average duration of the defined benefit obligations at the end of the reporting period was 9 years (2016: 10 years).

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21. INVENTORIES

	2017	2016
	HK$'000	HK$'000
Raw materials and spare parts	**42,918**	40,805
Work in progress	**5,373**	5,363
Finished goods	**31,639**	33,298
	79,930	79,466

22. TRADE AND BILLS RECEIVABLES

	2017	2016
	HK$'000	HK$'000
Trade and bills receivables	**762,487**	525,518
Impairment	**(38,401)**	(28,283)
	724,086	497,235

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 provisions, is as follows:

	2017	2016
	HK$'000	HK$'000
Within three months	**526,848**	424,748
Over three months and within six months	**63,494**	44,098
Over six months	**133,744**	28,389
	724,086	497,235

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22. TRADE AND BILLS RECEIVABLES (continued)

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

	Note	2017 HK$'000	2016 HK$'000
At 1 January		**28,283**	18,337
Amount written off as uncollectible		**(68)**	(301)
Impairment losses recognised	6	**7,967**	11,694
Exchange realignment		**2,219**	(1,447)
At 31 December		**38,401**	28,283

Included in the above provision for impairment of trade and bills receivables is a provision for individually impaired trade receivables of HK$38,401,000 (2016: HK$28,283,000) with an aggregate carrying amount before provision of HK$38,401,000 (2016: HK$35,612,000).

The individually impaired trade receivables relate to customers that were in financial difficulties or were in default in payment and only a portion of the receivables is expected to be recovered.

The ageing analysis of the trade and bills receivables that are not individually nor collectively considered to be impaired is as follows:

	2017 HK$'000	2016 HK$'000
Neither past due nor impaired	**386,000**	329,687
Within three months past due	**180,117**	118,533
Over three months and within six months past due	**90,321**	23,324
Over six months past due	**67,648**	18,362
	724,086	489,906

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

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23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2017 HK$'000	2016 HK$'000
Prepayments	**10,171**	9,782
Deposits and other receivables	**51,239**	47,798
	61,410	57,580
Impairment	**(1,366)**	(1,366)
	60,044	56,214

The above deposits and other receivables included rental receivables of HK$1,911,000 (2016: HK$3,262,000), of which HK$1,101,000 (2016: HK$2,365,000) were past due within six months. Rental receivables that were past due but not impaired relate to a number of independent debtors that have a good track record with the Group.

Included in the above provision for impairment is a provision for an individually impaired other receivable of HK$1,366,000 (2016: HK$1,366,000), with a carrying amount before provision of HK$1,366,000 (2016: HK$1,366,000). The Company's directors considered that the individual impaired balance had been outstanding for some time and was not expected to be recoverable. None of the remaining assets above is past due nor impaired. Except for the rental receivables and individually impaired other receivable of HK$1,366,000, the remaining financial assets included in the above balances relate to receivables for which there was no recent history of default.

24. STRUCTURED DEPOSITS

Structured deposits were stated at fair value and represented several wealth management products issued by banks. As at 31 December 2016, the aggregate principal of deposits was fully guaranteed by the banks while the rates of return were not guaranteed. The Group designated these structured deposits as investments at fair value through profit or loss on initial recognition. The Group used the structured deposits primarily to enhance the return on investment.

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25. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2017 HK$'000	2016 HK$'000
Cash and bank balances	**257,169**	149,034
Time deposits:		
– with original maturity of less than three months when acquired	**125,601**	118,304
– with original maturity of more than three months when acquired	**3,269**	1,307
	386,039	268,645
Less: Pledged time deposits for bills payable		
– with original maturity of less than three months when acquired	**–**	(961)
– with original maturity of more than three months when acquired	**(3,269)**	(1,307)
Cash and cash equivalents	**382,770**	266,377

At the end of the reporting period, the cash and bank balances and time deposits of the Group denominated in Renminbi ("RMB") amounted to HK$209,930,000 (2016: HK$193,771,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for periods of between one week and one year depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximate to their fair values.

26. 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:

	2017	2016
	HK$'000	HK$'000
Within three months	**296,092**	212,648
Over three months and within six months	**8,306**	1,548
Over six months	**307**	12
	304,705	214,208

The trade payables are non-interest-bearing and normally settled within two months.

27. OTHER PAYABLES AND ACCRUALS

		2017	2016
	Note	**HK$'000**	HK$'000
Deferred income	31	**320**	297
Other payables		**59,748**	55,996
Accruals and receipts in advance		**66,432**	97,749
		126,500	154,042

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

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28. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2017			2016		
	Effective interest rate per annum (%)	Maturity	HK$'000	Effective interest rate per annum (%)	Maturity	HK$'000
Current						
Finance lease payables (note 29)	**2.5 – 8.8**	**2018**	**397**	2.5 – 4.7	2017	378
Bank loans – secured	**1.8 – 2.5**	**2018**	**78,820**	1.4 – 2.4	2017	114,911
Bank loans – unsecured	**2.0 – 2.2**	**2018**	**43,000**	N/A	N/A	–
Import loans – secured	**2.3 – 3.0**	**2018**	**9,654**	1.5 – 2.5	2017	16,455
Import loans – unsecured	**2.8 – 2.8**	**2018**	**654**	1.5 – 1.8	2017	22,580
			132,525			154,324
Non-current						
Finance lease payables (note 29)	**2.5 – 8.8**	**2019 – 2021**	**1,026**	2.5 – 4.7	2018 – 2021	1,414
Bank loans – secured	**N/A**	**N/A**	**–**	1.4 – 1.9	2018 – 2020	10,180
			1,026			11,594
			133,551			165,918

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

	2017 HK$'000	2016 HK$'000
Analysed into:		
Bank loans and import loans repayable:		
Within one year or on demand	**132,128**	153,946
In the second year	**–**	5,854
In the third to fifth years, inclusive	**–**	4,326
	132,128	164,126
Other borrowings repayable:		
Within one year or on demand	**397**	378
In the second year	**404**	389
In the third to fifth years, inclusive	**622**	1,025
	1,423	1,792
	133,551	165,918

Notes:

(a) The Group's bank loans and import loans are secured by:

(i) the Group's land and buildings with an aggregate net book value at the end of the reporting period of HK$82,615,000 (2016: HK$85,024,000) (note 13); and

(ii) the Group's investment properties with an aggregate carrying value at the end of the reporting period of HK$510,780,000 (2016: HK$484,290,000) (note 14).

(b) Included in the Group's interest-bearing bank and other borrowings as at 31 December 2017 were borrowings with carrying amounts of HK$9,162,000 (2016: HK$37,467,000) which was denominated in United States dollars ("US$"). All other borrowings of the Group are denominated in Hong Kong dollars.

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29. FINANCE LEASE PAYABLES

The Group leases a motor vehicle and certain of its office equipment for its operations. These leases are classified as finance leases and have remaining lease terms ranging from two months to four years (2016: one to five years). All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

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

	Minimum lease payments		Present value of minimum lease payments	
	2017	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable:				
Within one year	**455**	455	**397**	378
In the second year	**443**	447	**404**	389
In the third to fifth years, inclusive	**644**	1,086	**622**	1,025
Total minimum finance lease payments	**1,542**	1,988	**1,423**	1,792
Future finance charges	**(119)**	(196)		
Total net finance lease payables	**1,423**	1,792		
Portion classified as current liabilities (note 28)	**(397)**	(378)		
Non-current portion (note 28)	**1,026**	1,414		

30. DEFERRED TAX

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

Deferred tax liabilities

	Depreciation allowance in excess of related depreciation		Revaluation of properties		Withholding taxes		Total	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At 1 January	**2,771**	3,554	**13,885**	11,596	**28,885**	31,256	**45,541**	46,406
Deferred tax charged/(credited) to the statement of profit or loss during the year (note 10)	**259**	(783)	**327**	2,665	**(4,189)**	(2,371)	**(3,603)**	(489)
Exchange realignment	**–**	–	**567**	(376)	**–**	–	**567**	(376)
Gross deferred tax liabilities recognised in the consolidated statement of financial position at 31 December	**3,030**	2,771	**14,779**	13,885	**24,696**	28,885	**42,505**	45,541

Deferred tax assets

	Losses available for offsetting against future taxable profits		Depreciation in excess of related depreciation allowance		Accruals		Total	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At 1 January	**261**	132	**2,977**	2,795	**4,493**	5,058	**7,731**	7,985
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 10)	**29**	129	**156**	364	**(2,834)**	(252)	**(2,649)**	241
Exchange realignment	**–**	–	**229**	(182)	**306**	(313)	**535**	(495)
Gross deferred tax assets recognised in the consolidated statement of financial position at 31 December	**290**	261	**3,362**	2,977	**1,965**	4,493	**5,617**	7,731

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30. DEFERRED TAX (continued)

The Group has estimated tax losses arising in Hong Kong of HK$1,114,207,000 (2016: HK$1,084,795,000), subject to the agreement by the Hong Kong Inland Revenue Department, that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group has estimated tax losses arising in Mainland China of HK$22,661,000 (2016: HK$15,437,000) for offsetting against future taxable profits.

As at 31 December 2017, deferred tax assets of HK$290,000 (2016: HK$261,000) was recognised for certain unused tax losses of a subsidiary arising in Hong Kong of HK$1,760,000 (2016: HK$1,584,000) to the extent to offset against taxable temporary difference that date. Deferred tax assets have not been recognised in respect of the remaining losses arising in Hong Kong and Mainland China as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits would be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

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

31. DEFERRED INCOME

	Notes	**2017** **HK$'000**	2016 HK$'000
At 1 January		**2,643**	3,131
Recognised during the year	5	**(295)**	(301)
Exchange realignment		**187**	(187)
At 31 December		**2,535**	2,643
Portion classified as current liabilities	27	**(320)**	(297)
Non-current portion		**2,215**	2,346

31. DEFERRED INCOME (continued)

As an arrangement of attracting foreign investments in Xuzhou, the PRC, the Group entered into certain agreements (the "Xuzhou Agreements") with the Xuzhou Economic Development Zone Committee ("徐州經濟開發區管委會") (the "Xuzhou Authority", under the municipal government of Xuzhou) on 10 April 2004. Pursuant to the Xuzhou Agreements, the Xuzhou Authority arranged the construction of the plant and office buildings for Giraffe Paint Mfg. Co., (Xuzhou) Ltd., a manufacturing subsidiary of the Group (the "Xuzhou Subsidiary") and also provided the required funding to the Xuzhou Subsidiary for the construction in the form of a loan to the Xuzhou Subsidiary (the "Construction Loan"). The construction of the plant and office buildings was completed, and the plant and office buildings were handed over to the Group for the solvent operation in July 2005. On 25 June 2007, the Group entered into certain revised agreements with the Xuzhou Authority to finalise the land premium payable at RMB4,793,000 for the parcel of land on which the plant and office buildings were constructed (the "Xuzhou Land") and waived the same amount of the Construction Loan. The amount was recorded as deferred income and is recognised in the consolidated statement of profit or loss over the weighted average useful life of the buildings and plant and machinery of the Xuzhou Subsidiary whose construction was financed by the Construction Loan.

32. SHARE CAPITAL

Shares

	2017 HK$'000	2016 HK$'000
Authorised:		
2,880,000,000 (2016: 2,880,000,000) ordinary shares of HK$0.10 each	**288,000**	288,000
Issued and fully paid:		
1,903,685,690 (2016: 1,903,685,690) ordinary shares of HK$0.10 each	**190,369**	190,369

Share options

Details of the Company's share option schemes and the share options issued under the schemes are included in note 33 to the financial statements.

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33. SHARE OPTION SCHEMES

The 2012 Scheme

The 2012 share option scheme (the "2012 Scheme") was adopted by the Company on 28 June 2012 pursuant to a resolution passed at the annual general meeting held on the same date. Unless terminated by a resolution in a general meeting or by the board of directors, the 2012 Scheme remains valid and effective for the period of 10 years commencing on 28 June 2012, after which period no further options will be issued but, in all other respects, the provisions of the 2012 Scheme shall remain in full force and effect. Further details are set out in the circular of the Company dated 30 April 2012.

The 2012 Scheme will expire on 27 June 2022. During the years ended 31 December 2017 and 2016, no share options were granted under the 2012 Scheme.

34. RESERVES

The amounts of the Group's reserves and the movements therein for the years ended 31 December 2017 and 2016 are presented in the consolidated statement of changes in equity on pages 57 and 58 of the financial statements.

35. PARTLY-OWNED SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTEREST

Details of the Group's subsidiary that have material non-controlling interest are set out below:

	2017
Percentage of equity interest held by non-controlling interest:	
CPM Group Limited	**25%**
	HK$'000
Profit for the year allocated to non-controlling interest:	
CPM Group Limited	**10,673**
Accumulated balance of non-controlling interest at the reporting date:	
CPM Group Limited	**188,052**

35. PARTLY-OWNED SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTEREST (continued)

The following tables illustrate the summarised financial information of the above subsidiary. The amounts disclosed are before any inter-company eliminations:

	2017 HK$'000
Revenue	995,958
Total expenses	293,800
Profit for the year	17,015
Total comprehensive income for the year	45,776
Current assets	1,070,067
Non-current assets	239,135
Current liabilities	(525,041)
Non-current liabilities	(28,385)
Non-controlling interest	(3,566)
Net cash flows used in operating activities	(162,149)
Net cash flows from investing activities	84,469
Net cash flows from financing activities	91,518
Net increase in cash and cash equivalents	13,838

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36. DEEMED PARTIAL DISPOSAL OF INTEREST IN A SUBSIDIARY

On 10 July 2017, the Group has completed the spin-off of its manufacture and sale of paint products business through a separate listing of a then wholly-owned subsidiary, CPM Group Limited on the Main Board of The Stock Exchange of Hong Kong Limited (the "Spin-Off"). The Spin-Off involved the offering of 250,000,000 new ordinary shares of HK$0.1 each by CPM Group Limited at an issue price of HK$0.86 per share, which raised a total net cash proceeds of approximately HK$168,040,000.

Immediately following the completion of the Spin-Off, the Group's equity interest in CPM Group Limited was diluted from 100% to 75% and thus the Spin-Off is considered as a deemed partial disposal. Since the deemed partial disposal of CPM Group Limited did not result in any loss of control, the transaction was accounted for as an equity transaction and the difference between the net proceeds from the Spin-off and the then 25% carrying value of CPM Group Limited and its subsidiaries (collectively, the "CPM Group") after taken into account the relevant CPM Group's reserves is recognised in the capital reserve of the Group.

A summary of the financial impacts of the Spin-Off are as follows:

	HK$'000
Gross proceeds from the Spin-Off	215,000
Less: Total listing expenses	(46,960)
	168,040
Add: Listing expenses that were charged to statement of profit or loss	26,574
Net proceed directly attributable to the issue of 25% new shares of CPM Group	194,614
Less: 25% of net assets value of CPM Group recognised as non-controlling interest	(171,131)
Release of reserves recognised in previous years	(4,230)
Difference on deemed disposal of CPM Group	19,253

An analysis of the cash flows in respect of the deemed partial disposal of an interest in CPM Group is as follows:

	HK$'000
Gross proceeds from the Spin-Off	215,000
Less: Listing expenses for the 25% new shares paid during the year	(16,559)
Net inflow of cash and cash equivalents in respect of the deemed partial disposal of an interest in a subsidiary	198,441

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

(i) During the year ended 31 December 2017, the Group entered into a finance lease arrangement in respect of property, plant and equipment with a capital value at the inception of the lease of HK$15,000 (2016: HK$1,910,000).

(ii) During the year ended 31 December 2017, the Group completed the acquisition of certain items of property, plant and equipment, the consideration of which was partially settled by deposits previously paid with an aggregate carrying amount of HK$1,575,000 (2016: HK$1,289,000).

(iii) During the year ended 31 December 2016, the Group completed the acquisition of certain investment properties, the consideration of which was settled by deposits previously paid with an aggregate carrying amount of HK$61,147,000.

(b) Changes in liabilities arising from financing activities

	Interest-bearing bank borrowing HK$'000	Finance lease payables HK$'000
At 1 January 2017	**164,126**	**1,792**
Changes from financing cash flows	**(32,007)**	**(384)**
New finance leases	**–**	**15**
Exchange realignment	**9**	**–**
At 31 December 2017	**132,128**	**1,423**

38. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bills payable and bank loans and other borrowings are included in notes 25 and 28, respectively, to the financial statements.

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39. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 14) under operating lease arrangements, with leases negotiated for terms ranging from one to four years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the prevailing market conditions.

At 31 December 2017, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2017	2016
	HK$'000	HK$'000
Within one year	**12,370**	11,709
In the second to fifth years, inclusive	**12,315**	8,405
	24,685	20,114

(b) As lessee

The Group leases certain of its properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to five years.

At 31 December 2017, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2017	2016
	HK$'000	HK$'000
Within one year	**1,206**	982
In the second to fifth years, inclusive	**198**	76
	1,404	1,058

40. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 39(b) above, the Group had the following capital commitments at the end of the reporting period:

	2017 HK$'000	2016 HK$'000
Contracted, but not provided for:		
Purchases of land use rights*	**1,875**	1,745
Construction and purchases of items of property, plant and equipment	**22,123**	9,825
	23,998	11,570

* On 21 January 2008, the Group entered into an agreement with the government of Xinfeng, Guangdong Province, the PRC to purchase a parcel of land located in Xinfeng, at a consideration of RMB8,220,000, of which RMB6,658,000 (2016: RMB6,658,000) had been paid by the Group as at 31 December 2017.

41. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following significant transactions with related parties during the year:

(a) Outstanding balances with related parties

Details of the Group's balances with its associates as at the end of the reporting period are disclosed in note 17 to the financial statements.

(b) Compensation of key management personnel of the Group

	2017 HK$'000	2016 HK$'000
Short term employee benefits	**10,348**	12,083
Post-employment benefits	**211**	386
Total compensation paid/payable to key management personnel	**10,559**	12,469

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

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

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42. FINANCIAL INSTRUMENTS BY CATEGORY

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

2017

Financial assets

	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Available-for-sale investments	–	92,083	92,083
Trade and bills receivables	724,086	–	724,086
Financial assets included in prepayments, deposits and other receivables	49,873	–	49,873
Pledged deposits	3,269	–	3,269
Cash and cash equivalents	382,770	–	382,770
	1,159,998	92,083	1,252,081

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Due to an associate	2,800
Trade and bills payables	304,705
Financial liabilities included in other payables and accruals	59,748
Interest-bearing bank and other borrowings	133,551
	500,804

42. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

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

2016

Financial assets

	Financial assets designated upon initial recognition at fair value through profit or loss HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Available-for-sale investments	–	–	96,083	96,083
Trade and bills receivables	–	497,235	–	497,235
Financial assets included in prepayments, deposits and other receivables	–	46,432	–	46,432
Structured deposits	98,666	–	–	98,666
Pledged deposits	–	2,268	–	2,268
Cash and cash equivalents	–	266,377	–	266,377
	98,666	812,312	96,083	1,007,061

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Due to an associate	2,800
Trade and bills payables	214,208
Financial liabilities included in other payables and accruals	55,996
Interest-bearing bank and other borrowings	165,918
	438,922

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43. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values and available-for-sale investments (further details of which are set out in note 18 to the financial statements), are as follows:

	Carrying amounts		Fair values	
	2017 HK$'000	2016 HK$'000	**2017 HK$'000**	2016 HK$'000
Financial assets				
Structured deposits	**–**	98,666	**–**	98,666
Financial liabilities				
Interest-bearing bank and other borrowings	**133,551**	165,918	**133,564**	165,888

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade and bills receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, and an amount due to an associate approximate to their carrying amounts largely due to the short term maturities of these instruments.

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

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2017 was assessed to be insignificant.

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

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

Below is a summary of significant unobservable inputs to the valuation of structured deposits together with a quantitative sensitivity analysis as at 31 December 2016:

Financial instrument	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Structured deposits	Discount cash flow method	Expected rate of return	2.3% to 4.0%	5% increase (decrease) in the expected rate of return would result in increase (decrease) in fair value by HK$193,000 (HK$184,000)
		Discount rate	2.3% to 3.2%	5% increase (decrease) in discount rate would result in decrease (increase) in fair value by HK$10,000 (HK$9,000)

Fair value hierarchy

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

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Assets measured at fair value:				
At 31 December 2016				
Structured deposits	–	–	98,666	98,666

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

Fair value hierarchy (continued)

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

	2017 HK$'000	2016 HK$'000
Structured deposits		
At 1 January	98,666	160,549
Purchases	165,055	231,709
Disposals	(266,131)	(289,717)
Net gains recognised in the statement of profit or loss	762	3,291
Exchange realignment	1,648	(7,166)
At 31 December	–	98,666

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2016: Nil).

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Liabilities for which fair values are disclosed:				
At 31 December 2017				
Interest-bearing bank and other borrowings	–	–	133,564	133,564
At 31 December 2016				
Interest-bearing bank and other borrowings	–	–	165,888	165,888

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank and other borrowings, and cash and cash equivalents. The main purpose of these financial instruments is to finance the Group's operations. The Group has various other financial assets and liabilities, such as structured deposits, pledged deposits, trade and bills receivables, deposits and other receivables, available-for-sale investments, an amount due to an associate, trade and bills payables and other payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group's policies for managing each of these risks are summarised below.

Interest rate risk

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

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on deposits with banks and floating rate borrowings after taking into account the effect of the interest rate swap). There is no impact on the Group's equity, except on the retained profits.

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax HK$'000
2017		
HK$	**50**	**(138)**
RMB	**50**	**403**
HK$	**(50)**	**138**
RMB	**(50)**	**(403)**
2016		
HK$	50	(540)
RMB	50	370
HK$	(50)	540
RMB	(50)	(370)

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44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk

The Group has transactional currency exposures. Those exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. The Group's main operating subsidiaries are located in Hong Kong and Mainland China and the Group's sales and purchases were mainly conducted in HK$ and RMB. The Group also has significant investments in Mainland China and its consolidated statement of financial position, with a portion of its bank deposits, trade receivables and payables denominated in currencies other than the functional currencies of the operating subsidiaries, can be affected by movements in the exchange rate between HK$ and RMB.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in RMB rate %	Increase/ (decrease) in profit before tax HK$'000
2017		
If HK$ weakens against RMB	**5**	**2,405**
If HK$ strengthens against RMB	**(5)**	**(2,405)**
2016		
If HK$ weakens against RMB	5	(873)
If HK$ strengthens against RMB	(5)	873

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures and cash collateral may be required. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, pledged deposits, structured deposits, and deposits and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

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

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

	On demand or no fixed terms HK$'000	Less than one year HK$'000	One to five years HK$'000	Total HK$'000
2017				
Due to an associate	–	2,800	–	2,800
Trade and bills payables	–	304,705	–	304,705
Other payables	5,038	54,710	–	59,748
Interest-bearing bank borrowings	–	132,887	–	132,887
Finance lease payables	–	455	1,087	1,542
	5,038	495,557	1,087	501,682
2016				
Due to an associate	–	2,800	–	2,800
Trade and bills payables	–	214,208	–	214,208
Other payables	3,937	52,059	–	55,996
Interest-bearing bank borrowings	–	154,191	10,355	164,546
Finance lease payables	–	455	1,533	1,988
	3,937	423,713	11,888	439,538

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44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2017 and 31 December 2016.

The Group monitors capital using a gearing ratio, which is bank and other borrowings divided by the adjusted capital, being equity attributable to owners of the parent less leasehold land and building revaluation reserve and investment property revaluation reserve. The gearing ratios as at the end of the reporting periods were as follows:

	2017	2016
	HK$'000	HK$'000
Bank and other borrowings	**133,551**	165,918
Equity attributable to owners of the parent	**1,569,485**	1,477,636
Less: Leasehold land and building revaluation reserve	**(247,447)**	(249,069)
Investment property revaluation reserve	**(13,557)**	(13,557)
Adjusted capital	**1,308,481**	1,215,010
Gearing ratio	**10.2%**	13.7%

45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2017	2016
	HK$'000	HK$'000
NON-CURRENT ASSETS		
Property, plant and equipment	**218**	302
Interests in subsidiaries	**486,597**	343,220
Due from subsidiaries	**238,813**	236,321
Total non-current assets	**725,628**	579,843
CURRENT ASSETS		
Prepayments, deposits and other receivables	**326**	165
Cash and cash equivalents	**91,453**	18,797
Total current assets	**91,779**	18,962
CURRENT LIABILITIES		
Due to a subsidiary	**–**	8,850
Other payables and accruals	**5,100**	4,293
Interest-bearing other borrowings	**14**	14
Total current liabilities	**5,114**	13,157
NET CURRENT ASSETS	**86,665**	5,805
TOTAL ASSETS LESS CURRENT LIABILITIES	**812,293**	585,648
NON-CURRENT LIABILITIES		
Interest-bearing other borrowings	**11**	26
Net assets	**812,282**	585,622
EQUITY		
Issued capital	**190,369**	190,369
Reserves (note)	**621,913**	395,253
Total equity	**812,282**	585,622

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45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's reserves is as follows:

	Share premium account HK$'000	Contributed surplus* HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2016	88,970	325,267	11,154	425,391
Total comprehensive loss for the year	–	–	(11,101)	(11,101)
Final 2015 dividend declared and paid	–	(19,037)	–	(19,037)
At 31 December 2016 and 1 January 2017	**88,970**	**306,230**	**53**	**395,253**
Total comprehensive income for the year	**–**	**–**	**245,697**	**245,697**
Final 2016 dividend declared and paid	**–**	**(19,037)**	**–**	**(19,037)**
At 31 December 2017	**88,970**	**287,193**	**245,750**	**621,913**

* A portion of the contributed surplus arose as a result of the transfer from the share premium account pursuant to a court approval obtained in 1992 for the purpose of writing off the goodwill arising on the acquisition of subsidiaries. The remaining portion of the contributed surplus arose in 1991 as a result of a group reorganisation and originally represented the difference between the nominal value of the Company's shares allotted under the reorganisation scheme and the consolidated net asset value of the acquired subsidiaries.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to shareholders under certain circumstances.

46. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 March 2018.

Schedule of Principal Properties

31 December 2017

INVESTMENT PROPERTIES

Location	Percentage of interest in property attributable to the Group	Type of existing leasehold	Existing use
Units A, B, C, D and F, 28th Floor CNT Tower No. 338 Hennessy Road Wanchai Hong Kong	100	Long term	Commercial
18th Floor, CNT Tower No. 338 Hennessy Road Wanchai Hong Kong	100	Long term	Commercial
Ground Floor, 1st Floor, 2nd Floor and 3rd Floor China Paint Industrial Building Lot No. 991 in Demarcation District No. 215 Hong Ting Road Tui Min Hoi Sai Kung New Territories Hong Kong	100	Medium term	Industrial
Parking spaces and Room Nos. 1-3 on Ground Floor Room Nos. 11, 12, 14, 15 and 16 on 1st Floor Room Nos. 21, 22, 23, 24 and 25 on 2nd Floor Room Nos. 31, 32, 33, 34 and 35 on 3rd Floor within an industrial building Lot No. 963 in Demarcation District No. 215 and the Extension Thereto Hong Ting Road Tui Min Hoi Sai Kung New Territories Hong Kong	100	Medium term	Industrial
Ground Floor No. 497 Shanghai Street Mong Kok Kowloon Hong Kong	100	Medium term	Commercial
Factory Complex Ling Dong Road Xin Hua Gangkou Industrial Development Zone Hua Du District Guangzhou City Guangdong Province the PRC	100	Medium term	Industrial

Schedule of Principal Properties

31 December 2017

INVESTMENT PROPERTIES (continued)

Location	Percentage of interest in property attributable to the Group	Type of existing leasehold	Existing use
Office Unit 1704, Block A1 Wealth Century Plaza 13 Haian Road Tian He District Guangzhou City Guangdong Province the PRC	100	Medium term	Commercial
Office Units 2506 and 2507, Block A Tianxia International Center Taoyuan Road Nanshan District Shenzhen City Guangdong Province the PRC	100	Medium term	Commercial
Units 2301-2, 2501-2, 2601-2 of Block B and 2603-4, 2703-4 of Block C Phase 3, Philippe Castle Interchange of Xin Sha Road and Huan Zhen Road Shajing Street Baoan District Shenzhen City Guangdong Province the PRC	100	Medium term	Residential
Units 801 and 807, 8th Floor Greenland Rongxin Commercial Centre Lane 1588 No. 499 Zhuguang Road Xujing Town Qingpu District Shanghai the PRC	100	Medium term	Commercial
Unit 4905, 49th Floor Block 4, Greenland Centre Wangjing Dongyuan Chaoyang District Beijing the PRC	100	Medium term	Commercial

Schedule of Principal Properties

31 December 2017

PROPERTIES UNDER DEVELOPMENT

Location	Percentage of interest in property attributable to the Group	Existing use	Approximate site/gross floor area	Expected completion date	Stage of completion
Lot Nos. 879, 880A1 880B1, 881 to 885 889RP, 891, 1318 1326 and 1344 in Demarcation District No. 115 Au Tau Yuen Long New Territories Hong Kong	100	Agricultural and house lots	3,700 sq. m.	N/A	Granted a conditional planning permission for a proposed columbarium development

Glossary

AC Chairman	The chairman of the Audit Committee
AC or Audit Committee	The audit committee of the Board
AGM	Annual general meeting of the Company
Board	The board of directors of the Company
Bye-laws	The bye-laws of the Company
CG Code	Corporate Governance Code contained in Appendix 14 to the Listing Rules
Chairman	The chairman of the Board
Companies Act	The Companies Act 1981 of Bermuda
Company	CNT Group Limited
Company Secretary	The company secretary of the Company
Director(s)	The director(s) of the Company
Group	The Company and its subsidiaries
Hong Kong	The Hong Kong Special Administrative Region of the PRC
Listing Rules	Rules Governing the Listing of Securities on the Stock Exchange
Managing Director	The managing director of the Company
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
PRC	People's Republic of China
RC Chairman	The chairman of the Remuneration Committee
RC or Remuneration Committee	The remuneration committee of the Board
SFO	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Share(s)	Ordinary share(s) of HK$0.10 each in the capital of the Company
Shareholder(s)	Shareholder(s) of the Company
Share Option Scheme	The share option scheme adopted by the Company on 28 June 2012
substantial shareholder(s)	has the meaning as defined in the Listing Rules

CNT GROUP LIMITED
北海集團有限公司