CNT GROUP LIMITED

北海集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code : 701)

Annual Report 2015

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Lam Ting Ball, Paul *(Chairman)*
Tsui Ho Chuen, Philip
(Executive Deputy Chairman and Managing Director)
Chong Chi Kwan *(Finance Director)*

Non-executive Directors

Chan Wa Shek
Zhang Yulin
Ko Sheung Chi *(resigned on 12 April 2016)*

Independent Non-executive Directors

Sir David Akers-Jones *(Deputy Chairman)*
Danny T Wong
Steven Chow
Zhang Xiaojing

AUDIT COMMITTEE

Sir David Akers-Jones *(AC Chairman)*
Danny T Wong
Chan Wa Shek

REMUNERATION COMMITTEE

Sir David Akers-Jones *(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

Codan Services 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

31st Floor, CNT Tower, 338 Hennessy Road
Wanchai, Hong Kong

WEBSITE

www.cntgroup.com.hk

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

RESULTS

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

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

PROSPECTS

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

Paint Products

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

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

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

PROSPECTS (continued)

Paint Products (continued)

In addition, in order to become a leading manufacturer of high quality green and safe paint products, the Group will continue to manufacture and sell high-quality paint products. The Group will continue focus on green production, technological innovation and development. For improvement of the production efficiency, the Group will continue to invest in research and development to strengthen the technological innovation and streamline process flow. The Group will continue to pay attention to cost control and technological innovation to improve the material utilization.

Property Investment

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

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

Iron and Steel Trading and Related Investments

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

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

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

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

BUSINESS REVIEW

Paint Products

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

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

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

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

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

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

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

BUSINESS REVIEW (continued)

Property Investment

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

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

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

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

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

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

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

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 are grouped together into two subclasses, namely, ferrous metals and non-ferrous metals. The Group is currently trading in ferrous metals and specializes in tinplate trading.

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

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

Available-for-sale Investments

The Group has an effective interest of 11.9% in the cemetery project situated in Sihui, Guangdong Province, the PRC. Its principal activities are the development, construction, management and operation of a cemetery. The main types of products of the cemetery are outdoor grave lots, ordinary columbarium niches and luxury columbarium niches.

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

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

FINANCIAL REVIEW

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

RESULTS

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

SEGMENT INFORMATION

Business Segments

Paint Products

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

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

Property Investment

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

Iron and Steel Trading and Related Investments

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

Geographical segments

All of the Group's businesses are mainly operated in Mainland China and Hong Kong. Revenue from operations in Mainland China and Hong Kong amounted to approximately HK$1,020.32 million (2014: HK$1,367.55 million) and approximately HK$82.44 million (2014: HK$105.39 million) respectively.

LIQUIDITY AND FINANCIAL INFORMATION

The Group's business operation was generally financed by its internal funding and bank borrowings. The cash and cash equivalents amounted to approximately HK$277.39 million as at 31 December 2015 when compared with approximately HK$223.51 million as at 31 December 2014. The total cash and bank balances, including structured deposits, pledged deposits and restricted cash, amounted to approximately HK$512.73 million as at 31 December 2015 when compared with approximately HK$503.24 million as at 31 December 2014. Bank and other borrowings amounted to approximately HK$205.35 million as at 31 December 2015 when compared with approximately HK$194.55 million as at 31 December 2014. The Group's bank and other borrowings mainly carried interest at floating rates. Of the Group's total bank and other borrowings as at 31 December 2015, approximately HK$189.21 million (92.1%) was payable within one year, approximately HK$5.96 million (2.9%) was payable in the second year and approximately HK$10.18 million (5.0%) was payable in the third to fifth years.

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

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

Equity and Net Asset Value

Shareholders' funds of the Group as at 31 December 2015 was approximately HK$1,466.04 million compared with approximately HK$1,339.24 million as at 31 December 2014. Adjusted capital of the Group, being shareholders' funds less the unrealised leasehold land and building revaluation reserve and investment property revaluation reserve, as at 31 December 2015 was approximately HK$1,203.41 million compared with approximately HK$1,173.48 million as at 31 December 2014. Net assets value per share as at 31 December 2015 was HK$0.77 compared with HK$0.71 as at 31 December 2014.

Contingent liabilities

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

Pledge of assets

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

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

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

TREASURY MANAGEMENT

Funding and Treasury Policy

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

Foreign Currency Exposure

The Group's cash, bank balances and bank and other borrowings were mainly denominated in Hong Kong Dollars and Renminbi. The Group's results can be affected by movements in the exchange rate between Hong Kong Dollars and Renminbi. The Group did not have any hedging instrument to hedge the foreign currency exposure as at 31 December 2015. The Group will continue to monitor its foreign currency exposure and requirements closely and arrange hedging facilities when necessary.

Capital Expenditure

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

HUMAN RESOURCES

Headcount as at 31 December 2015 was 1,115 (31 December 2014: 1,163). Staff costs (excluding directors' emoluments) amounted to HK$170.36 million for the year as compared with HK$170.28 million last year. The Group has a comprehensive and competitive staff remuneration and benefits system which is formulated on the performance of individual employees. In addition, the Group also provides a staff option scheme.

PRINCIPAL RISKS AND 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 favourable interest rates available.

Currency Rate Risk

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

Credit Risk

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

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

BUSINESS RISKS

Market Risks

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

Operational Risk

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

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

ENVIRONMENTAL POLICIES 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.

EVENTS AFTER THE REPORTING DATE

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

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 2015, 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)*
Chong Chi Kwan *(Finance Director)*

Non-executive Directors

Chan Wa Shek
Zhang Yulin
Ko Sheung Chi

Independent Non-executive Directors

Sir David Akers-Jones *(Deputy Chairman)*
Danny T Wong
Steven Chow
Zhang Xiaojing

The biographical details of the Directors and the relationships among them are set out in the "Biographies of Directors and Senior Management" on pages 22 to 23.

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.

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 four 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. During the year, the Board held fourteen meetings (of which four were regular meetings). The attendance record of each Director at the Board meetings and general meetings of the Company is set out below:

Directors	Number of Board meetings attended/held		Number of general meetings attended/held
	Regular	Other	
Executive Directors			
Lam Ting Ball, Paul	4/4	10/10	1/1
Tsui Ho Chuen, Philip	4/4	10/10	1/1
Chong Chi Kwan	4/4	9/10	1/1
Non-executive Directors			
Chan Wa Shek	3/4	0/10	0/1
Zhang Yulin	1/4	0/10	0/1
Ko Sheung Chi	3/4	0/10	0/1
Independent Non-executive Directors			
Sir David Akers-Jones	4/4	0/10	1/1
Danny T Wong	4/4	0/10	1/1
Steven Chow	3/4	0/10	1/1
Zhang Xiaojing	1/4	0/10	0/1

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 comment 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.

DIRECTORS' TRAININGS

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 trainings:

Directors	Type of trainings
Executive Directors	
Lam Ting Ball, Paul	A,C
Tsui Ho Chuen, Philip	A,C
Chong Chi Kwan	A,B,C
Non-executive Directors	
Chan Wa Shek	A,C
Zhang Yulin	A,B,C
Ko Sheung Chi	A,B,C
Independent Non-executive Directors	
Sir David Akers-Jones	A,C
Danny T Wong	A,B,C
Steven Chow	A,B,C
Zhang Xiaojing	A,B

DIRECTORS' TRAININGS (continued)

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): Sir David Akers-Jones (AC Chairman), Mr. Danny T Wong and Mr. Chan Wa Shek.

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 2014 annual results and the 2015 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 and the internal control system of the Group. The Audit Committee resolved by resolutions in writing to approve 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 year ended 31 December 2014. 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**	**Number of resolutions in writing in lieu of meeting consented/passed**
Sir David Akers-Jones *(AC Chairman)*	2/2	1/1
Danny T Wong	2/2	1/1
Chan Wa Shek	2/2	1/1

Remuneration Committee

During the year, the Remuneration Committee comprised two independent non-executive Directors and one executive Director: Sir David Akers-Jones (RC Chairman), Mr. Lam Ting Ball, Paul and Mr. Danny T Wong.

BOARD COMMITTEES (continued)

Remuneration Committee (continued)

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 one meeting and resolved by resolutions in writing 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	Number of resolutions in writing in lieu of meeting consented/passed
Sir David Akers-Jones *(RC Chairman)*	1/1	1/1
Lam Ting Ball, Paul	1/1	1/1
Danny T Wong	1/1	1/1

INTERNAL CONTROL

The Board has overall responsibility for maintaining a sound and effective internal control system of the Group. The internal control system is 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 Board has conducted a review of the effectiveness of the Group's internal control system during the year with a view to enhance its internal control system.

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 the 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 enquiry by the Company, all Directors confirmed that they have complied with the required standard set out in the Model Code and the Company's own code during the year ended 31 December 2015.

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 2015, the remuneration of the Company's external auditors, Ernst & Young, is set out below:

Services rendered to the Group	**Remuneration**
	HK$
Audit services	2,860,000
Non-audit services	261,000
	3,121,000

The non-audit services rendered by the Company's external auditors included performance of agreed-upon procedures on the Group's 2015 interim financial statements and the audit examination of the statement on details of contributions of the Group's occupational retirement schemes.

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 2015, 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 Auditors' Report" on pages 31 to 32.

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 2015 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.

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 31st Floor, CNT Tower, 338 Hennessy Road, Wanchai, Hong Kong or by fax at (852) 2792 7341.

CONSTITUTIONAL DOCUMENTS

The Company has adopted an amended and restated Bye-laws at the AGM held on 2 June 2015. Details of the amendments to the Bye-laws have been set out in the circular of the Company dated 28 April 2015. An updated consolidated version of the Bye-laws is available on the Company's website at www.cntgroup.com.hk and the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk.

On behalf of the Board

Lam Ting Ball, Paul
Chairman
23 March 2016

The Directors present their report and the audited financial statements of the Group for the year ended 31 December 2015.

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/residential property development in Hong Kong) and 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 11 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 2015 and the state of affairs of the Group at that date are set out in the financial statements on pages 33 to 136.

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 23 June 2016 to the Shareholders whose names appear on the Company's register of members on 10 June 2016.

MAJOR SUPPLIERS AND CUSTOMERS

In the year under review, purchases from the Group's five largest suppliers accounted for approximately 41% of the total purchases for the year and purchases from the largest supplier included therein amounted to 17%. 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.

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				
	2015	2014	2013	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
Revenue	**1,102,813**	1,473,181	1,452,616	1,315,597	1,309,221
Operating profit	**118,835**	182,527	180,576	92,268	83,499
Share of profits and losses of associates	**(3,954)**	1,049	7,188	1,508	2,506
Profit before tax	**114,881**	183,576	187,764	93,776	86,005
Income tax expenses	**(29,095)**	(33,539)	(24,442)	(33,935)	(23,475)
Profit for the year	**85,786**	150,037	163,322	59,841	62,530
ATTRIBUTABLE TO:					
Owners of the parent	**86,354**	149,192	163,302	59,885	62,852
Non-controlling interests	**(568)**	845	20	(44)	(322)
	85,786	150,037	163,322	59,841	62,530
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
Total assets	**2,020,613**	1,971,573	1,769,942	1,494,107	1,370,304
Total liabilities	**(550,733)**	(627,738)	(610,283)	(535,167)	(472,249)
Non-controlling interests	**(3,843)**	(4,596)	(3,867)	(3,704)	(3,710)
	1,466,037	1,339,239	1,155,792	955,236	894,345

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 137 to 138.

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 139.

SHARE CAPITAL

Details of movements in the Company's share capital during the year, together with the reasons therefor, are set out in note 33 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 44 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 2015, calculated under the Companies Act, amounted to HK$336,421,000. 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$46,000.

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
Chong Chi Kwan

Non-executive Directors

Chan Wa Shek
Zhang Yulin
Ko Sheung Chi

Independent Non-executive Directors

Sir David Akers-Jones
Danny T Wong
Steven Chow
Zhang Xiaojing

In accordance with the Bye-laws, Mr. Chong Chi Kwan, Mr. Zhang Yulin 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	74	Chairman	43	More than 43 years' experience in the paint industry
Tsui Ho Chuen, Philip	52	Executive Deputy Chairman and Managing Director	31	Qualified solicitor
Chong Chi Kwan	48	Finance Director	10	More than 24 years' experience in auditing, finance, accounting and management

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Directors (continued)

Name	Age	Position held	Number of years of service	Business experience
Non-executive Directors				
Chan Wa Shek CBE, ISO	85	Non-executive Director	9	Former Commissioner of Correctional Services of Hong Kong
Zhang Yulin	52	Non-executive Director	9	More than 19 years' experience in finance and management
Ko Sheung Chi	59	Non-executive Director	9	More than 35 years' experience in general management
Independent Non-executive Directors				
Sir David Akers-Jones GBM, KBE, CMG, JP	89	Deputy Chairman and Independent Non-executive Director	25	Former Chief Secretary specialising in land planning and housing development
Danny T Wong	70	Independent Non-executive Director	12	More than 41 years' experience in finance, accounting and management
Steven Chow	71	Independent Non-executive Director	9	More than 39 years' experience in finance and management
Zhang Xiaojing	61	Independent Non-executive Director	3	More than 33 years' experience in engineering and management

Senior management

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

Notes:

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

(2) Mr. Zhang Yulin is a director and an employee of Broadsino Investment Company Limited, which is interested in 5.15% of the issued share capital of the Company.

(3) Mr. Ko Sheung Chi is the managing director of Chuang's Consortium International Limited and a director of Profit Stability Investments Limited. Both Chuang's Consortium International Limited and Profit Stability Investments Limited are the Shareholders discloseable under Part XV of the SFO.

CHANGE IN DIRECTORS' INFORMATION

There is no change in the information of the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules except the changes in the Directors' remuneration which 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 was a party, 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. Ko Sheung Chi, a non-executive Director, holds directorships in Chuang's Consortium International Limited (a company whose issued shares are listed on the Stock Exchange) and 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 publicly listed company 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.

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, 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, 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.

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

As at 31 December 2015, 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 issued share capital**
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 2015, 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 2012 Share Option Scheme was adopted on 28 June 2012. Its key terms are summarised below:

(i) The purpose of the 2012 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 2012 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 2012 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.

(iii) The total number of Shares available for issue under the 2012 Share Option Scheme is 188,840,569 which represents 9.92% of the issued share capital of the Company 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 2012 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 2012 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 2012 Share Option Scheme remains in force until 27 June 2022.

No share option has so far been granted under the 2012 Share Option Scheme since its adoption.

SHARE OPTIONS (continued)

Details of the movement in the share options of the Company pursuant to the expired 2002 Share Option Scheme during the year are as follows:

				Number of Shares under options				
Category of eligible participants	**Date of grant**	**Exercise period**	**Exercise price per Share** HK$	**Balance at 1.1.2015**	**Granted during the year**	**Exercised during the year**	**Cancelled/ lapsed during the year**	**Balance at 31.12.2015**
Continuous contract employees	27.5.2010	27.5.2010 to 26.5.2015	0.44	137,520,000	–	(15,280,000)	(122,240,000)	–

Notes:

(1) The vesting periods of the options granted on 27 May 2010 are as follows:

10% : 27 May 2010 to 26 May 2011
10% : 27 May 2010 to 26 May 2012
10% : 27 May 2010 to 26 May 2013
20% : 27 May 2010 to 26 May 2014

50% of the options granted is exercisable on the date of grant.

(2) The weighted average closing price of the Shares immediately before the date on which the options were exercised during the year was HK$0.56.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31 December 2015, the register maintained by the Company under Section 336 of the SFO showed that the following persons (other than the Directors) had interests and short positions 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 issued share capital**
10% or more of issued share capital					
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	322,349,655	–	16.93%
Chuang's China Investments Limited	3	Interest of controlled corporation	322,349,655	–	16.93%
Profit Stability Investments Limited	3	Interest of controlled corporations	322,349,655	–	16.93%
Chuang's Consortium International Limited	3	Interest of controlled corporations	322,349,655	–	16.93%
Evergain Holdings Limited	3	Interest of controlled corporations	322,349,655	–	16.93%
Chong Shaw Swee, Alan	3	Interest of controlled corporations	322,349,655	–	16.93%
Chong Ho Pik Yu	3	Interest of spouse	322,349,655	–	16.93%
Below 10% of issued share capital					
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%

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 322,349,655 Shares relate to the same block of 322,349,655 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 60.19% 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 42.71% 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 322,349,655 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 2015 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.

AUDITORS

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

On behalf of the Board

Lam Ting Ball, Paul
Chairman
23 March 2016

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

We have audited the consolidated financial statements of CNT Group Limited (the "Company") and its subsidiaries set out on pages 33 to 136, which comprise the consolidated statement of financial position as at 31 December 2015, 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 a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. 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.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

23 March 2016

Consolidated Statement of Profit or Loss

Year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
REVENUE	5	**1,102,813**	1,473,181
Cost of sales		**(749,741)**	(1,053,317)
Gross profit		**353,072**	419,864
Other income and gains, net	5	**22,886**	22,198
Selling and distribution expenses		**(151,449)**	(160,433)
Administrative expenses		**(128,759)**	(119,050)
Other expenses, net		**(3,365)**	(2,290)
Equity-settled share option expense	34	**–**	(917)
Fair value gains on investment properties, net	14	**30,131**	27,130
Finance costs	7	**(3,681)**	(3,975)
Share of profits and losses of associates		**(3,954)**	1,049
PROFIT BEFORE TAX	6	**114,881**	183,576
Income tax expenses	10	**(29,095)**	(33,539)
PROFIT FOR THE YEAR		**85,786**	150,037
ATTRIBUTABLE TO:			
Owners of the parent		**86,354**	149,192
Non-controlling interests		**(568)**	845
		85,786	150,037
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
Basic		**HK4.55 cents**	HK7.90 cents
Diluted		**HK4.54 cents**	HK7.90 cents

Consolidated Statement of Comprehensive Income

Year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
PROFIT FOR THE YEAR		**85,786**	150,037
OTHER COMPREHENSIVE INCOME			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(40,116)**	(18,541)
Share of other comprehensive income of an associate		**122**	590
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods		**(39,994)**	(17,951)
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods:			
Remeasurement of net pension scheme assets	20	**(489)**	(281)
Gains on properties revaluation	13	**96,863**	74,115
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		**96,374**	73,834
OTHER COMPREHENSIVE INCOME FOR THE YEAR		**56,380**	55,883
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**142,166**	205,920
ATTRIBUTABLE TO:			
Owners of the parent		**142,919**	205,191
Non-controlling interests		**(753)**	729
		142,166	205,920

Consolidated Statement of Financial Position

31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**275,956**	300,799
Investment properties	14	**569,937**	401,980
Properties under development	15	**28,000**	28,000
Prepaid land lease payments	16	**20,181**	21,682
Interests in associates	17	**11,076**	17,916
Available-for-sale investments	18	**96,083**	96,083
Deposits for purchases of properties, and plant and equipment	19	**32,477**	27,866
Net pension scheme assets	20	**2,178**	2,853
Deferred tax assets	31	**7,985**	9,326
Total non-current assets		**1,043,873**	906,505
CURRENT ASSETS			
Inventories	21	**62,464**	74,413
Trade and bills receivables	22	**354,360**	442,772
Prepayments, deposits and other receivables	23	**47,184**	44,640
Structured deposits	24	**160,549**	203,037
Pledged deposits	25	**3,179**	1,742
Restricted cash	25	**71,610**	74,958
Cash and cash equivalents	25	**277,394**	223,506
Total current assets		**976,740**	1,065,068
CURRENT LIABILITIES			
Trade and bills payables	26	**128,656**	201,916
Other payables and accruals	27	**145,164**	167,440
Derivative financial instrument	28	**10**	16
Due to an associate	17	**2,800**	2,550
Interest-bearing bank and other borrowings	29	**189,211**	172,535
Tax payable		**19,534**	17,222
Total current liabilities		**485,375**	561,679
NET CURRENT ASSETS		**491,365**	503,389
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,535,238**	1,409,894

Consolidated Statement of Financial Position

31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,535,238**	1,409,894
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	29	**16,139**	22,012
Deferred tax liabilities	31	**46,406**	40,782
Deferred income	32	**2,813**	3,265
Total non-current liabilities		**65,358**	66,059
Net assets		**1,469,880**	1,343,835
EQUITY			
Equity attributable to owners of the parent			
Issued capital	33	**190,369**	188,841
Reserves	35	**1,275,668**	1,150,398
		1,466,037	1,339,239
Non-controlling interests		**3,843**	4,596
Total equity		**1,469,880**	1,343,835

Lam Ting Ball, Paul
Director

Tsui Ho Chuen, Philip
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2015

	Notes	Issued share capital HK$'000 (note 33)	Share premium account HK$'000	Share option reserve 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
		Attributable to owners of the parent												
At 1 January 2014		188,841	81,145	25,385	330,467	78,091	13,557	10,144	67,426	30,605	330,131	1,155,792	3,867	1,159,659
Profit for the year		–	–	–	–	–	–	–	–	–	149,192	149,192	845	150,037
Other comprehensive income/(loss) for the year:														
Remeasurement of net pension scheme assets	20	–	–	–	–	–	–	–	–	–	(281)	(281)	–	(281)
Share of other comprehensive income of an associate		–	–	–	–	–	–	–	590	–	–	590	–	590
Gains on property revaluation	13	–	–	–	–	74,115	–	–	–	–	–	74,115	–	74,115
Exchange differences on translation of foreign operations		–	–	–	–	–	–	–	(18,425)	–	–	(18,425)	(116)	(18,541)
Total comprehensive income for the year		–	–	–	–	74,115	–	–	(17,835)	–	148,911	205,191	729	205,920
Final 2013 dividend declared and paid		–	–	–	(22,661)	–	–	–	–	–	–	(22,661)	–	(22,661)
Equity-settled share option arrangement	34	–	–	917	–	–	–	–	–	–	–	917	–	917
Transfer of share option reserve upon the lapse of share options		–	–	(2,630)	–	–	–	–	–	–	2,630	–	–	–
At 31 December 2014		188,841	81,145#	23,672#	307,806#	152,206#	13,557#	10,144#	49,591#	30,605#	481,672#	1,339,239	4,596	1,343,835

Consolidated Statement of Changes in Equity

Year ended 31 December 2015

	Notes	Issued share capital HK$'000 (note 33)	Share premium account HK$'000	Share option reserve 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
		Attributable to owners of the parent												
At 1 January 2015		188,841	81,145	23,672	307,806	152,206	13,557	10,144	49,591	30,605	481,672	1,339,239	4,596	1,343,835
Profit for the year		-	-	-	-	-	-	-	-	-	86,354	86,354	(568)	85,786
Other comprehensive income/(loss) for the year:														
Remeasurement of net pension scheme assets	20	-	-	-	-	-	-	-	-	-	(489)	(489)	-	(489)
Share of other comprehensive income of an associate		-	-	-	-	-	-	-	(24)	146	-	122	-	122
Gains on properties revaluation	13	-	-	-	-	96,863	-	-	-	-	-	96,863	-	96,863
Exchange differences on translation of foreign operations		-	-	-	-	-	-	-	(39,931)	-	-	(39,931)	(185)	(40,116)
Total comprehensive income for the year		-	-	-	-	96,863	-	-	(39,955)	146	85,865	142,919	(753)	142,166
Final 2014 dividend declared and paid	11	-	-	-	(22,844)	-	-	-	-	-	-	(22,844)	-	(22,844)
Exercise of share options	33	1,528	7,825	(2,630)	-	-	-	-	-	-	-	6,723	-	6,723
Transfer of share option reserve upon the lapse of share options		-	-	(21,042)	-	-	-	-	-	-	21,042	-	-	-
At 31 December 2015		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

* 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 profit 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$1,275,668,000 (2014: HK$1,150,398,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**114,881**	183,576
Adjustments for:			
Finance costs	7	**3,681**	3,975
Share of profits and losses of associates		**3,954**	(1,049)
Bank interest income	5	**(5,675)**	(3,902)
Depreciation	6	**20,749**	17,012
Amortisation of prepaid land lease payments	6	**552**	562
Recognition of deferred income	5	**(317)**	(323)
Loss/(gain) on disposal of items of property, plant and equipment, net	6	**(53)**	370
Write-off of items of property, plant and equipment	6	**155**	227
Fair value gains on investment properties, net	14	**(30,131)**	(27,130)
Fair value losses/(gains), net:			
Equity investment at fair value through profit or loss – held for trading	6	**–**	(11)
Structured deposits	5	**(5,034)**	(5,683)
Derivative instrument – transaction not qualifying as hedge	6	**(6)**	1
Write-down/(write-back) of inventories to net realisable value	6	**(2,074)**	2,112
Provision for impairment of trade receivables	6	**5,465**	1,348
Net pension benefit expenses	20	**186**	163
Equity-settled share option expense	34	**–**	917
		106,333	172,165
Decrease in inventories		**10,913**	10,178
Decrease/(increase) in trade and bills receivables		**66,585**	(121,495)
Increase in prepayments, deposits and other receivables		**(4,225)**	(7,954)
Increase/(decrease) in trade and bills payables		**(64,412)**	29,601
Increase/(decrease) in other payables and accruals		**(16,787)**	1,780
Exchange realignment		**213**	702
Cash generated from operations		**98,620**	84,977
Interest paid		**(3,681)**	(3,931)
Interest element of finance lease rental payments		**(6)**	(12)
Overseas taxes paid		**(18,725)**	(29,381)
Hong Kong profits tax paid		**(914)**	(1,274)
Net cash flows from operating activities		**75,294**	50,379

Consolidated Statement of Cash Flows

Year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(27,411)**	(9,389)
Proceeds from disposal of items of property, plant and equipment		**234**	313
Proceeds from sale of an equity investment at fair value through profit or loss		**–**	323
Additions to investment properties	14	**(898)**	–
Investments in structured deposits		**(412,683)**	(656,764)
Proceeds from structured deposits		**453,181**	622,931
Interest received		**5,675**	3,902
Dividend received from an associate		**3,008**	–
Proceeds from disposal of a subsidiary		**–**	5,535
Deposits paid for purchases of properties, and plant and equipment	19	**(26,362)**	(765)
Decease/(increase) in time deposits with original maturity of more than three months when acquired		**33,673**	(64,010)
Net cash flows from/(used in) investing activities		**28,417**	(97,924)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share options exercised	33	**6,723**	–
New bank loans		**315,159**	354,609
Repayment of bank loans		**(304,171)**	(369,028)
Dividend paid		**(22,844)**	(22,661)
Advance from an associate		**250**	–
Capital element of finance lease rental payments		**(201)**	(244)
Net cash flows used in financing activities		**(5,084)**	(37,324)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**98,627**	(84,869)
Cash and cash equivalents at beginning of year		**184,964**	276,662
Effect of foreign exchange rate changes, net		**(12,977)**	(6,829)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**270,614**	184,964

Consolidated Statement of Cash Flows

Year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	25	**163,388**	131,451
Non-pledged/non-restricted time deposits	25	**114,006**	92,055
Cash and cash equivalents as stated in the consolidated statement of financial position		**277,394**	223,506
Pledged time deposits with original maturity of less than three months when acquired	25	**3,179**	1,742
Restricted time deposits with original maturity of less than three months when acquired	25	**11,935**	–
Non-pledged time deposits with original maturity of more than three months when acquired		**(21,894)**	(40,284)
Cash and cash equivalents as stated in the consolidated statement of cash flows		**270,614**	184,964

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 31st Floor, CNT Tower, 338 Hennessy Road, Wanchai, Hong Kong.

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

- manufacture and sale of paint products and related services
- 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/residential property 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	–	100	Manufacture and sale of paint products and investment holding
The China Paint Manufacturing (Shenzhen) Co., Ltd. #*	PRC/ Mainland China	HK$70,000,000	–	100	Manufacture and sale of paint products
The China Paint Mfg. Co., (Xinfeng) Ltd. #*	PRC/ Mainland China	US$13,000,000	–	100	Manufacture and sale of paint products
AVANZAR Media Limited	Hong Kong	HK$2	–	100	Provision of advertising services and investment holding

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		Principal activities
			Direct	Indirect	
China Paint Property Limited	Hong Kong	HK$100,000	–	100	Property investment
China Utilities Limited*	British Virgin Islands ("BVI")	US$1	–	100	Investment holding
CNT Finance Company Limited	Hong Kong	HK$2	–	100	Fund management
CNT Industries (BVI) Limited*	BVI	US$1,635,512	100	–	Investment holding
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
CNT-Jialing Investments Limited	Hong Kong	HK$10,000,000	–	100	Property investment
CNT Management and Secretaries Limited	Hong Kong	HK$2	–	100	Management and secretarial services
CNT Resene Limited	Hong Kong	HK$2	–	100	Manufacture and sale of paint products

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 Resene (Distribution) Limited	Hong Kong	HK$1	–	100	Sale of paint products
Conley Investment Limited	Hong Kong	HK$2	–	100	Property investment
CPM Industries (BVI) Limited*	BVI	US$1	100	–	Investment holding
Dongola Holdings Limited*	BVI	US$1	–	100	Investment holding
Fan Ball Development Limited	Hong Kong	HK$10,000	–	100	Property investment
Giraffe Paint Mfg. Co., (Shanghai) Ltd.# *	PRC/ Mainland China	US$4,000,000	–	100	Sale of paint products
Giraffe Paint Mfg. Co., (Xuzhou) Ltd.# *	PRC/ Mainland China	US$2,000,000	–	100	Manufacture and sale of solvents and paint products
Hubei Giraffe Paint Mfg. Co., Ltd.## *	PRC/ Mainland China	RMB40,000,000	–	90.5	Manufacture and sale of paint products
Joyous Cheer Limited	Hong Kong	HK$1	–	100	Proposed columbarium/ residential property development
Majority Faith Corporation*	BVI	US$1	–	100	Investment holding

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
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
R, J & Thomas Secretaries Limited	Hong Kong	HK$30,000	–	100	Investment holding
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

* 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, a derivative financial instrument and net pension scheme assets, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand ("HK$'000") except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2015. 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.

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

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.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

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

(b) The *Annual Improvements to HKFRSs 2010-2012 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows:

- HKFRS 8 *Operating Segments*: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in HKFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments have had no impact on the Group.

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(b) (continued)

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

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

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

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

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

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

2.3 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.

HKFRS 9	*Financial Instruments*[2]
HKFRS 14	*Regulatory Deferral Accounts*[3]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[1]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[1]
Amendments to HKAS 1	*Disclosure Initiative*[1]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs[1]

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group
4 Originally effective for annual periods beginning on or after 1 January 2016, which has been deferred/removed and the adoption of the amendments continuous to be permitted.

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018. The Group is currently assessing the impact of the standard.

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

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

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

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

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

(i) the materiality requirements in HKAS 1;

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

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

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

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

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

Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 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 80A 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

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 purpose 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement (continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

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.

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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.

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 a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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. When 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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) from the rendering of services, in the period in which such services are rendered;

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

(d) 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; and

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

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 fair value is determined by an external valuer using the binomial option pricing model or other appropriate pricing models, further details of which are given in note 34 to the financial statements.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments (continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other employee benefits (continued)

Pension schemes and other retirement benefits (continued)

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
- 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Dividends

Final dividend distribution to the Company's shareholders is recognised as a liability in the statement of financial position when the dividends are declared and approved by the shareholders in a general meeting.

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.

Deferred tax liabilities

Deferred tax liabilities are recognised for withholding tax in respect of the unremitted earnings of certain subsidiaries of the Group established in Mainland China to the extent that the directors are of the opinion that it is probable that they will be distributed in foreseeable future. Significant management judgement is required to determine the amount of deferred tax liabilities that should be recognised. Further details are contained in note 31 to the financial statements.

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;

(c) the development potential of the properties by deducting development costs and profit element from the estimated gross development value of the properties.

The carrying amount of investment properties at 31 December 2015 was HK$569,937,000 (2014: HK$401,980,000). 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 2015 was HK$96,083,000 (2014: HK$96,083,000), net of impairment of HK$138,783,000 (2014: 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.

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 and related services;

(b) the property investment segment comprises:

(i) the investment in residential, commercial and industrial premises for their rental income potential; and

(ii) the development and sale of properties;

(c) the iron and steel trading segment comprises the trading of iron and steel products and related investments; and

(d) the "others" segment comprises, principally, provision of advertising services and investment holding.

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

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

Segment liabilities exclude the derivative financial instrument, interest-bearing bank and other borrowings, tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted on mutually agreed terms.

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2015	Paint products HK$'000	Property investment HK$'000	Iron and steel trading HK$'000	Others HK$'000	Total HK$'000
Segment revenue:					
Sales to external customers	867,997	22,541	212,275	–	1,102,813
Intersegment sales	–	15,938	–	7,279	23,217
Other revenue and gains	8,229	32,447	1,532	100	42,308
	876,226	70,926	213,807	7,379	1,168,338
Reconciliation:					
Elimination of intersegment sales					(23,217)
Total					1,145,121
Segment results	54,641	62,731	(661)	1,905	118,616
Reconciliation:					
Elimination of intersegment results					(383)
Interest income					5,675
Fair value gains on structured deposits					5,034
Finance costs					(3,681)
Corporate and other unallocated expenses					(10,380)
Profit before tax					114,881

4. OPERATING SEGMENT INFORMATION (continued)

At 31 December 2015	Paint products HK$'000	Property investment HK$'000	Iron and steel trading HK$'000	Others HK$'000	Total HK$'000
Segment assets	647,011	707,481	47,647	96,057	1,498,196
Reconciliation:					
Elimination of intersegment receivables					(1,027)
Corporate and other unallocated assets					523,444
Total assets					2,020,613
Segment liabilities	256,342	5,958	13,767	690	276,757
Reconciliation:					
Elimination of intersegment payables					(1,027)
Corporate and other unallocated liabilities					275,003
Total liabilities					550,733

4. OPERATING SEGMENT INFORMATION (continued)

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

4. OPERATING SEGMENT INFORMATION (continued)

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

4. OPERATING SEGMENT INFORMATION (continued)

At 31 December 2014	Paint products HK$'000	Property investment HK$'000	Iron and steel trading HK$'000	Others HK$'000	Total HK$'000
Segment assets	729,483	563,751	68,814	96,592	1,458,640
Reconciliation:					
Elimination of intersegment receivables					(2,802)
Corporate and other unallocated assets					515,735
Total assets					1,971,573
Segment liabilities	357,384	8,791	7,060	567	373,802
Reconciliation:					
Elimination of intersegment payables					(2,802)
Corporate and other unallocated liabilities					256,738
Total liabilities					627,738

4. OPERATING SEGMENT INFORMATION (continued)

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

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

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

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

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

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

(b) Non-current assets

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

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

Information about a major customer

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

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:

	2015	2014
	HK$'000	HK$'000
Revenue		
Sale of paint products and related services	**867,997**	1,131,305
Sale of iron and steel products	**212,275**	325,405
Sale of wine	**–**	80
Gross rental income from investment properties	**22,541**	16,091
Advertising service income	**–**	300
	1,102,813	1,473,181

5. REVENUE, OTHER INCOME AND GAINS, NET (continued)

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

	Note	2015 HK$'000	2014 HK$'000
Other income			
Bank interest income		**5,675**	3,902
Government grants received from Mainland China authorities*		**4,840**	2,789
Commission income		**171**	204
Recognition of deferred income	32	**317**	323
Others		**5,895**	4,675
		16,898	11,893
Gains, net			
Fair value gains, net:			
Equity investment at fair value through profit or loss – held for trading		**–**	11
Structured deposits		**5,034**	5,683
Derivative instrument – transaction not qualifying as hedge		**6**	–
Recovery of amounts due from an associate previously written off		**895**	4,611
Gain on disposal of items of property, plant and equipment, net		**53**	–
		5,988	10,305
Total other income and gains, net		**22,886**	22,198

* Various government grants have been received from the PRC government authorities in recognition of the Group's efforts in the technology development of paint products. There are no unfulfilled conditions or contingencies relating to these grants.

6. PROFIT BEFORE TAX

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

	Notes	**2015** **HK$'000**	2014 HK$'000
Cost of inventories sold		**749,741**	1,053,182
Cost of services provided		**–**	135
Depreciation	13	**20,749**	17,012
Amortisation of prepaid land lease payments	16	**552**	562
Minimum lease payments under operating leases in respect of land and buildings		**5,792**	6,438
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties		**2,240**	907
Auditors' remuneration:			
Audit related services		**2,984**	3,014
Other services		**261**	1,011
		3,245	4,025
Employee benefit expense (excluding directors' remuneration (note 8)):			
Wages, salaries, bonuses, allowances and welfare		**154,236**	160,732
Pension scheme contributions (defined contribution schemes)#		**15,942**	9,389
Net pension benefit expenses recognised (defined benefit schemes)	20	**186**	163
		170,364	170,284
Equity-settled share option expense	34	**–**	917
Wages, salaries, bonuses, allowances and welfare of pre-operating entities		**–**	7,436
		170,364	178,637

6. PROFIT BEFORE TAX (continued)

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

	Notes	2015 HK$'000	2014 HK$'000
Foreign exchange differences, net*		**3,206**	1,669
Write-down/(write-back) of inventories to net realisable value		**(2,074)**	2,112
Provision for impairment of trade receivables	22	**5,465**	1,348
Fair value losses/(gains), net:			
Equity investment at fair value through profit or loss – held for trading*		**–**	(11)
Derivative instrument – transaction not qualifying as hedge*	28	**(6)**	1
Loss/(gain) on disposal of items of property, plant and equipment, net*		**(53)**	370
Write-off of items of property, plant and equipment*	13	**155**	227

* 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 2015 and 2014, the Group had no material forfeited contributions available to reduce its contributions to the retirement benefit schemes in future years.

7. FINANCE COSTS

An analysis of finance costs is as follows:

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

* During the year ended 31 December 2014, the Group has capitalised borrowings costs amounting to HK$284,000 on qualifying assets, which were capitalised at the weighted average rate of the corresponding borrowings of 7.4%.

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:

	2015 HK$'000	2014 HK$'000
Fees:		
Executive directors	**2,100**	2,100
Non-executive directors	**300**	300
Independent non-executive directors	**600**	600
	3,000	3,000
Other emoluments:		
Salaries, allowances and benefits in kind	**8,700**	8,670
Discretionary bonuses	**1,030**	1,809
Pension scheme contributions	**386**	384
Consultancy fee	**444**	428
	10,560	11,291
	13,560	14,291

(a) Independent non-executive directors

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

	2015 HK$'000	2014 HK$'000
Sir David Akers-Jones	**200**	200
Steven Chow	**100**	100
Danny T Wong	**200**	200
Zhang Xiaojing	**100**	100
	600	600

There were no other emoluments payable to the independent non-executive directors during the year (2014: Nil).

8. DIRECTORS' REMUNERATION (continued)

(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
2015						
Executive directors:						
Lam Ting Ball, Paul	860	2,161	75	18	–	3,114
Tsui Ho Chuen, Philip	880	5,565	730	350	–	7,525
Chong Chi Kwan	360	974	225	18	–	1,577
	2,100	8,700	1,030	386	–	12,216
Non-executive directors:						
Chan Wa Shek	100	–	–	–	444#	544
Zhang Yulin	100	–	–	–	–	100
Ko Sheung Chi	100	–	–	–	–	100
	300	–	–	–	444	744
	2,400	8,700	1,030	386	444	12,960

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
2014						
Executive directors:						
Lam Ting Ball, Paul	860	2,160	175	17	–	3,212
Tsui Ho Chuen, Philip	880	5,536	1,278	350	–	8,044
Chong Chi Kwan	360	974	356	17	–	1,707
	2,100	8,670	1,809	384	–	12,963
Non-executive directors:						
Chan Wa Shek	100	–	–	–	428#	528
Zhang Yulin	100	–	–	–	–	100
Ko Sheung Chi	100	–	–	–	–	100
	300	–	–	–	428	728
	2,400	8,670	1,809	384	428	13,691

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2014: Nil).

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

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors (2014: two), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of three (2014: three) non-director and highest paid employees for the year are as follows:

	2015	2014
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**7,452**	7,452
Discretionary bonuses	**1,416**	1,880
Pension scheme contributions	**121**	116
	8,989	9,448

The number of non-director and highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2015	2014
HK$2,000,001 to HK$2,500,000	**1**	1
HK$2,500,001 to HK$3,000,000	**–**	–
HK$3,000,001 to HK$3,500,000	**1**	1
HK$3,500,001 to HK$4,000,000	**1**	1
	3	3

10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

All subsidiaries of the Group established in Mainland China are subject to the PRC corporate income tax at a standard rate of 25% (2014: 25%) during the year, except for a subsidiary of the Group which qualified as a PRC High and New Technology Enterprise in Mainland China and a lower PRC corporate income tax rate of 15% (2014: 15%) had been applied during the year.

	2015	2014
	HK$'000	HK$'000
Current – Hong Kong		
Charge for the year	**4,170**	3,495
Overprovision in prior years	**(20)**	(10)
Current – Elsewhere		
Charge for the year	**18,255**	29,725
Underprovision in prior years	**37**	132
Deferred (note 31)	**6,653**	197
Total tax charge for the year	**29,095**	33,539

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:

	2015		2014	
	HK$'000	**%**	HK$'000	%
Profit before tax	**114,881**		183,576	
Tax at the statutory tax rate	**18,955**	**16.5**	30,290	16.5
Different tax rates for specific provinces in the PRC, net	**(2,004)**	**(1.7)**	(2,513)	(1.3)
Adjustments in respect of current tax of previous periods	**17**	**–**	122	–
Profits attributable to associates	**652**	**0.6**	(173)	–
Income not subject to tax	**(6,301)**	**(5.5)**	(6,060)	(3.3)
Expenses not deductible for tax	**4,017**	**3.4**	2,426	1.3
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries	**677**	**0.6**	6,276	3.4
Tax losses utilised from previous periods	**(1,948)**	**(1.7)**	(4,177)	(2.3)
Tax losses not recognised	**15,030**	**13.1**	7,348	4.0
Tax charge at the Group's effective rate	**29,095**	**25.3**	33,539	18.3

The share of tax attributable to associates amounting to HK$294,000 (2014: HK$285,000) is included in "Share of profits and losses of associates" in the consolidated statement of profit or loss.

11. DIVIDEND

	2015 HK$'000	2014 HK$'000
Proposed final – HK1.0 cent (2014: HK1.2 cents) per ordinary share	**19,037**	22,661

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. The actual amount will be accounted for as an appropriation of the distributable reserves in the year ending 31 December 2016.

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

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$86,354,000 (2014: HK$149,192,000), and the weighted average number of ordinary shares of 1,897,783,005 (2014: 1,888,405,690) in issue during the year.

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

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (continued)

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

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

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

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

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 2015							
At 31 December 2014 and at 1 January 2015:							
Cost or valuation	361,550	38,336	18,932	138,505	38,549	21,211	617,083
Accumulated depreciation and impairment	(134,262)	–	(17,759)	(115,842)	(31,166)	(17,255)	(316,284)
Net carrying amount	227,288	38,336	1,173	22,663	7,383	3,956	300,799
At 1 January 2015, net of accumulated depreciation and impairment	227,288	38,336	1,173	22,663	7,383	3,956	300,799
Additions	–	21,644	759	915	2,178	1,915	27,411
Disposals	–	–	–	–	(2)	(179)	(181)
Write-off (note 6)	–	–	(14)	(10)	(130)	(1)	(155)
Transfer from deposits for purchases of properties, and plant and equipment (note 19)	–	–	104	610	368	369	1,451
Gains on revaluation on transfer to investment properties	96,863	–	–	–	–	–	96,863
Transfer to investment properties (note 14)	(121,152)	–	(8)	–	–	–	(121,160)
Depreciation provided during the year (note 6)	(10,089)	–	(666)	(6,209)	(2,371)	(1,414)	(20,749)
Transfers	35,273	(59,227)	3,090	20,864	–	–	–
Exchange realignment	(6,590)	(753)	(76)	(705)	(83)	(116)	(8,323)
At 31 December 2015, net of accumulated depreciation and impairment	221,593	–	4,362	38,128	7,343	4,530	275,956
At 31 December 2015:							
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

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 2014							
At 1 January 2014:							
Cost or valuation	294,146	141,347	20,608	129,658	38,341	22,402	646,502
Accumulated depreciation and impairment	(137,892)	–	(18,750)	(120,722)	(29,575)	(17,799)	(324,738)
Net carrying amount	156,254	141,347	1,858	8,936	8,766	4,603	321,764
At 1 January 2014, net of accumulated depreciation and impairment	156,254	141,347	1,858	8,936	8,766	4,603	321,764
Additions	–	5,519	146	1,057	1,776	959	9,457
Disposals	–	–	–	(509)	(24)	(150)	(683)
Write-off (note 6)	–	–	(57)	(98)	(72)	–	(227)
Transfer from deposits for purchases of properties, and plant and equipment (note 19)	–	–	–	597	–	–	597
Transfer from investment properties (note 14)	15,200	–	–	–	–	–	15,200
Gains on revaluation on transfer to investment properties	74,115	–	–	–	–	–	74,115
Transfer to investment properties (note 14)	(97,640)	–	–	–	–	–	(97,640)
Depreciation provided during the year (note 6)	(9,391)	–	(759)	(2,410)	(3,041)	(1,411)	(17,012)
Transfers	89,556	(104,914)	–	15,358	–	–	–
Exchange realignment	(806)	(3,616)	(15)	(268)	(22)	(45)	(4,772)
At 31 December 2014, net of accumulated depreciation and impairment	227,288	38,336	1,173	22,663	7,383	3,956	300,799
At 31 December 2014:							
Cost or valuation	361,550	38,336	18,932	138,505	38,549	21,211	617,083
Accumulated depreciation and impairment	(134,262)	–	(17,759)	(115,842)	(31,166)	(17,255)	(316,284)
Net carrying amount	227,288	38,336	1,173	22,663	7,383	3,956	300,799

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:

	2015	2014
	HK$'000	HK$'000
Furniture, fixtures and equipment	**86**	103
Motor vehicles	**–**	367
	86	470

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, independent professionally qualified valuers. 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 80A 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 2015 would have been HK$29,047,000 (2014: HK$90,144,000).

At 31 December 2015, certain of the above land and buildings with an aggregate net carrying amount of HK$88,144,000 (2014: HK$116,057,000) were pledged to secure general banking facilities granted to the Group (note 29).

14. INVESTMENT PROPERTIES

	Notes	2015 HK$'000	2014 HK$'000
Carrying amount at 1 January		**401,980**	293,794
Additions		**898**	–
Fair value gains, net		**30,131**	27,130
Transfer from owner-occupied properties	13	**121,160**	97,640
Transfer to owner-occupied property	13	**–**	(15,200)
Transfer from deposits for purchases of properties, and plant and equipment	19	**18,627**	–
Exchange realignment		**(2,859)**	(1,384)
Carrying amount at 31 December		**569,937**	401,980

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 2015 based on valuations performed by BMI Appraisals Limited, an independent professionally qualified valuer. The Group's finance director 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 director has discussion with the external valuer on the valuation assumptions and valuation results when the valuation is performed for 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.

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 is observable.

Investment properties held by the Group	Fair value hierarchy	Valuation techniques	Significant unobservable inputs	Range or weighted average 2015	2014
Commercial properties in Hong Kong	Level 3	Income capitalisation method	Prevailing market rents (per sq.ft. and per month)	HK$27 to HK$118	HK$26 to HK$122
			Capitalisation rates	2.8% to 3.1%	2.8% to 3.1%
Commercial properties in Mainland China	Level 3	Income capitalisation method	Prevailing market rents (per sq.m. and per month)	RMB145 to RMB160	RMB120 to RMB170
			Capitalisation rates	4.3% to 5%	4.2% to 4.5%
Industrial properties in Hong Kong	Level 3	Income capitalisation method	Prevailing market rents (per sq.ft. and per month)	HK$7 to HK$25	HK$7 to HK$24
			Capitalisation rates	3.5% to 8.6%	3.5% to 8.6%
Industrial property in Mainland China	Level 3	Income capitalisation method	Prevailing market rents (per sq.m. and per month)	RMB12	RMB12
			Capitalisation rates	8%	8%
Residential properties in Mainland China	Level 3	Market comparison approach	Prevailing market rates (per sq.m)	RMB35,000 to RMB35,600	Not applicable

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 (2014: Nil).

14. INVESTMENT PROPERTIES (continued)

Fair value hierarchy (continued)

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 classes of asset is as follows:

	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	Residential properties in Mainland China HK$'000	Total HK$'000
Carrying amount at 1 January 2014	125,200	35,132	110,920	22,542	–	293,794
Fair value gains	11,500	865	13,990	775	–	27,130
Transfer from owner-occupied properties	24,500	–	73,140	–	–	97,640
Transfer to owner-occupied property	(15,200)	–	–	–	–	(15,200)
Exchange realignment	–	(829)	–	(555)	–	(1,384)
Carrying amount at 31 December 2014 and 1 January 2015	**146,000**	**35,168**	**198,050**	**22,762**	**–**	**401,980**
Additions	**21**	**–**	**877**	**–**	**–**	**898**
Fair value gains, net	**3,279**	**1,158**	**5,523**	**1,527**	**18,644**	**30,131**
Transfer from owner-occupied properties	**10,100**	**–**	**111,060**	**–**	**–**	**121,160**
Transfer from deposits for purchases of properties, plant and equipment	**–**	**–**	**–**	**–**	**18,627**	**18,627**
Exchange realignment	**–**	**(1,571)**	**–**	**(1,016)**	**(272)**	**(2,859)**
Carrying amount at 31 December 2015	**159,400**	**34,755**	**315,510**	**23,273**	**36,999**	**569,937**

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 38(a).

14. INVESTMENT PROPERTIES (continued)

At 31 December 2015, certain of the Group's investment properties with an aggregate carrying value of HK$474,910,000 (2014: HK$344,050,000) were pledged to secure general banking facilities granted to the Group (note 29).

Further particulars of the Group's investment properties are included on pages 137 and 138.

15. PROPERTIES UNDER DEVELOPMENT

	2015 HK$'000	2014 HK$'000
Carrying amount at 1 January and at 31 December	28,000	28,000

The properties under development are situated in Hong Kong. As at 31 December 2015 and up to the approval date of these financial statements, new planning applications for the change of the use of land from agricultural and house lots to columbarium development are under the consideration of the Appeal Board Panel (Town Planning) of Hong Kong.

Further particulars of the Group's properties under development are included on page 139.

16. PREPAID LAND LEASE PAYMENTS

	2015 HK$'000	2014 HK$'000
Carrying amount at 1 January	21,682	22,800
Recognised during the year (note 6)	(552)	(562)
Exchange realignment	(949)	(556)
Carrying amount at 31 December	20,181	21,682

17. INTERESTS IN ASSOCIATES

	2015 HK$'000	2014 HK$'000
Share of net assets	11,076	17,916

The amount due to an associate included in the Group's current liabilities as at 31 December 2015 of HK$2,800,000 (2014: HK$2,550,000) was unsecured, interest-free and repayable with not less than 30 days' prior written notice.

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 #	Ordinary shares	Hong Kong	50	Property investment
CNT Tin Plate Limited #	Ordinary shares	Hong Kong	50	Investment holding

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

Arran Investment Company, Limited and CNT Tin Plate Limited were corporate associates indirectly held by the Company as at 31 December 2015. 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.

The above table lists the associates of the Group which, in the opinion of the Company's 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 associates would, in the opinion of the Company's directors, result in particulars of excessive length.

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

The Group has discontinued the recognition of its shares of losses of an associate, namely Gobi EcoTech Limited, because the share of losses of the associate exceeded the Group's interest in the associate and the Group has no obligation to take up further losses. The amounts of the Group's unrecognised share of gains of this associate for the current year was HK$37,000 (2014: loss of HK$40,000) and share of losses cumulatively was HK$3,000 (2014: HK$40,000).

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.

17. INTERESTS IN ASSOCIATES (continued)

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:

	2015 HK$'000	2014 HK$'000
Current assets	77	51
Non-current assets	61,709	73,807
Current liabilities	(332)	(331)
Non-current liabilities	(41,217)	(42,541)
Net assets	20,237	30,986
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	10,118	15,493
Carrying amount of the investment	10,118	15,493
Revenue	–	–
Loss for the year	(10,993)	(790)
Other comprehensive income	244	1,180
Total comprehensive income/(loss) for the year	(10,749)	390

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

	2015 HK$'000	2014 HK$'000
Share of the associates' profit for the year	1,543	1,444
Share of the associates' total comprehensive income	1,543	1,444
Dividends paid by the associates during the year	3,008	–
Aggregate carrying amount of the Group's investments in the associates	958	2,423

18. AVAILABLE-FOR-SALE INVESTMENTS

	2015 HK$'000	2014 HK$'000
Unlisted equity investments, at cost	**234,866**	234,866
Impairment	**(138,783)**	(138,783)
	96,083	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$138,783,000 (2014: HK$138,783,000) with an aggregate carrying amount before provision of HK$234,866,000 (2014: 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.

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

	2015 HK$'000	2014 HK$'000
Carrying amount at 1 January	**27,866**	28,406
Transfer to property, plant and equipment (note 13)	**(1,451)**	(597)
Transfer to investment properties (note 14)	**(18,627)**	–
Additions	**26,362**	765
Exchange realignment	**(1,673)**	(708)
Carrying amount at 31 December	**32,477**	27,866

As at 31 December 2015, the carrying amount represented deposits paid for the purchases of a parcel of land in Xinfeng, Guangdong Province, the PRC, office premises in Shanghai, the PRC, and machinery and equipment.

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 2015 by Grant Sherman Appraisal Limited, 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:

	2015	2014
Discount rate	**1.6%**	2.0%
Expected rate of salary increases	**2.5%**	2.5%

The actuarial valuation showed that the market value of scheme assets was HK$8,076,000 (2014: HK$9,715,000) and that the actuarial value of these assets represented 137% (2014: 142%) of the benefits that had accrued to qualifying employees.

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
2015				
Discount rate	**5**	**42**	**(5)**	**(42)**
Future salary increase	**5**	**(68)**	**(5)**	**68**
2014				
Discount rate	5	60	(5)	(61)
Future salary increase	5	(84)	(5)	83

The sensitivity analyses above have 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:

	2015 HK$'000	2014 HK$'000
Current service cost	**240**	241
Interest cost	**(54)**	(78)
Net pension benefit expenses recognised in administrative expenses	**186**	163

20. NET PENSION SCHEME ASSETS (continued)

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

	2015 HK$'000	2014 HK$'000
At 1 January	**6,862**	6,618
Current service cost	**240**	241
Interest cost	**128**	154
Remeasurements:		
– Actuarial gains arising from changes in demographic assumptions	**(103)**	(20)
– Actuarial losses arising from changes in financial assumptions	**118**	289
– Experience adjustments	**101**	(76)
Benefit paid	**(1,448)**	(344)
At 31 December	**5,898**	6,862

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

2015

		Pension cost credited/ (charged) to profit or loss				Remeasurement gains/(losses) in other comprehensive income					
	1 January 2015 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$'000	Sub-total included in other comprehensive income HK$'000	31 December 2015 HK$'000
Fair value of scheme assets	9,715	-	182	182	(1,448)	(373)	-	-	-	(373)	8,076
Defined benefit obligations	(6,862)	(240)	(128)	(368)	1,448	-	103	(118)	(101)	(116)	(5,898)
Net pension scheme assets	2,853	(240)	54	(186)	-	(373)	103	(118)	(101)	(489)	2,178

20. NET PENSION SCHEME ASSETS (continued)

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

2014

		Pension cost credited/ (charged) to profit or loss				Remeasurement gains/(losses) in other comprehensive income					
	1 January 2014 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$'000	Sub-total included in other comprehensive income HK$'000	31 December 2014 HK$'000
Fair value of scheme assets	9,915	–	232	232	(344)	(88)	–	–	–	(88)	9,715
Defined benefit obligations	(6,618)	(241)	(154)	(395)	344	–	20	(289)	76	(193)	(6,862)
Net pension scheme assets	3,297	(241)	78	(163)	–	(88)	20	(289)	76	(281)	2,853

The Group did not pay any contribution to the defined benefit pension scheme during the years ended 31 December 2014 and 2015, and 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:

	2015 HK$'000	2014 HK$'000
Equities, quoted in active market	**5,992**	7,364
Bonds	**1,478**	1,788
Money market instruments	**606**	563
	8,076	9,715

The weighted average duration of the defined benefit obligations at the end of the reporting period is 11 years (2014: 10 years).

21. INVENTORIES

	2015 HK$'000	2014 HK$'000
Raw materials and spare parts	**36,535**	44,640
Work in progress	**5,248**	6,278
Finished goods	**20,681**	23,495
	62,464	74,413

22. TRADE AND BILLS RECEIVABLES

	2015 HK$'000	2014 HK$'000
Trade and bills receivables	**372,697**	456,253
Impairment	**(18,337)**	(13,481)
	354,360	442,772

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:

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

22. TRADE AND BILLS RECEIVABLES (continued)

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

	Note	2015 HK$'000	2014 HK$'000
At 1 January		**13,481**	12,439
Impairment losses recognised	6	**5,465**	1,348
Exchange realignment		**(609)**	(306)
At 31 December		**18,337**	13,481

Included in the above provision for impairment of trade and bills receivables is a provision for individually impaired trade receivables of HK$18,337,000 (2014: HK$13,481,000) with an aggregate carrying amount before provision of HK$32,447,000 (2014: HK$18,236,000).

The individually impaired trade receivables are related 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:

	2015 HK$'000	2014 HK$'000
Neither past due nor impaired	**198,999**	264,235
Within three months past due	**73,862**	133,629
Over three months and within six months past due	**32,478**	30,382
Over six months past due	**34,911**	9,771
	340,250	438,017

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.

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2015 HK$'000	2014 HK$'000
Prepayments	**3,380**	4,646
Deposits and other receivables	**45,170**	41,360
	48,550	46,006
Impairment	**(1,366)**	(1,366)
	47,184	44,640

Included in the above provision for impairment is a provision for an individually impaired other receivable of HK$1,366,000 (2014: HK$1,366,000), with a carrying amount before provision of HK$1,366,000 (2014: 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 are past due nor impaired. Except for the individually impaired other receivable of HK$1,366,000, the remaining financial assets included in the above balances related 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 2015, 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 uses the structured deposits primarily to enhance the return on investment.

25. CASH AND CASH EQUIVALENTS, PLEDGED DEPOSITS AND RESTRICTED CASH

	Notes	2015 HK$'000	2014 HK$'000
Cash and bank balances		**163,388**	131,451
Time deposits:			
– with original maturity of less than three months when acquired		**107,226**	53,513
– with original maturity of more than three months when acquired		**81,569**	115,242
		352,183	300,206
Less: Pledged time deposits for bills payable			
– with original maturity of less than three months when acquired	26	**(3,179)**	(1,742)
Time deposits restricted for a short term banking facility			
– with original maturity of less than three months when acquired	29(c)	**(11,935)**	–
– with original maturity of more than three months when acquired	29(c)	**(59,675)**	(74,958)
Cash and cash equivalents		**277,394**	223,506

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$298,568,000 (2014: HK$277,477,000). The RMB is not freely convertible into other currencies, however, under the PRC'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:

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

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

27. OTHER PAYABLES AND ACCRUALS

	Note	2015 HK$'000	2014 HK$'000
Deferred income	32	**318**	333
Other payables		**34,941**	36,334
Accruals and receipts in advance		**109,905**	130,773
		145,164	167,440

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

28. DERIVATIVE FINANCIAL INSTRUMENT

	2015 HK$'000	2014 HK$'000
Interest rate swap contract – liability	**10**	16

The Group entered into an interest rate swap contract with a notional amount of HK$10,000,000 (2014: HK$20,000,000) to manage its exposure to movements in interest rates in relation to the Group's floating rate term loans.

The contract is classified as a derivative held for trading as it is not designated as an effective hedging instrument as defined by HKAS 39, and is measured at fair value through profits of loss. The aggregate fair value gain of the non-hedging derivative amounting to HK$6,000 was credited (2014: loss of HK$1,000 was charged) to the consolidated statement of profit or loss during the year ended 31 December 2015.

29. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2015			2014		
	Effective interest rate per annum (%)	**Maturity**	**HK$'000**	Effective interest rate per annum (%)	Maturity	HK$'000
Current						
Finance lease payables (note 30)	**4.7**	**2016**	**23**	1.6 – 4.7	2015	201
Bank loans – secured	**1.2 – 3.1**	**2016**	**167,848**	1.2 – 3.4	2015	141,755
Import loans – secured	**0.4 – 2.0**	**2016**	**12,568**	1.3 – 1.9	2015	25,255
Import loans – unsecured	**1.3**	**2016**	**8,772**	1.3	2015	5,324
			189,211			172,535
Non-current						
Finance lease payables (note 30)	**4.7**	**2017 – 2019**	**51**	4.7	2016 – 2019	74
Bank loans – secured	**1.2 – 1.7**	**2017 – 2020**	**16,088**	1.2 – 1.7	2016 – 2020	21,938
			16,139			22,012
			205,350			194,547

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

	2015 HK$'000	2014 HK$'000
Analysed into:		
Bank loans and import loans repayable:		
Within one year or on demand	**189,188**	172,334
In the second year	**5,939**	5,846
In the third to fifth years, inclusive	**10,149**	15,082
Beyond five years	**–**	1,010
	205,276	194,272
Other borrowings repayable:		
Within one year or on demand	**23**	201
In the second year	**24**	23
In the third to fifth years, inclusive	**27**	51
	74	275
	205,350	194,547

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$88,144,000 (2014: HK$116,057,000) (note 13); and

(ii) the Group's investment properties with an aggregate carrying value at the end of the reporting period of HK$474,910,000 (2014: HK$344,050,000) (note 14).

(b) Included in the Group's interest-bearing bank and other borrowings as at 31 December 2015 were borrowings with carrying amounts of HK$18,001,000 (2014: HK$27,066,000) and HK$792,000 (2014: Nil) which were denominated in United States dollars ("US$") and Euros respectively. All other borrowings of the Group are denominated in Hong Kong dollars.

(c) At the end of the reporting period, the Group had time deposits of approximately HK$71,610,000 (2014: HK$74,958,000) maintained at a bank to cover a banking facility which was restricted as to use (note 25).

30. FINANCE LEASE PAYABLES

The Group leases certain of its office equipment (2014: motor vehicles and office equipment) for its operations. These leases are classified as finance leases and have remaining lease terms ranging from three to four years (2014: 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	
	2015	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable:				
Within one year	**25**	206	**23**	201
In the second year	**25**	25	**24**	23
In the third to fifth years, inclusive	**29**	54	**27**	51
Total minimum finance lease payments	**79**	285	**74**	275
Future finance charges	**(5)**	(10)		
Total net finance lease payables	**74**	275		
Portion classified as current liabilities (note 29)	**(23)**	(201)		
Non-current portion (note 29)	**51**	74		

31. 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	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At 1 January	**3,956**	4,138	**6,247**	6,247	**30,579**	24,303	**40,782**	34,688
Deferred tax charged/(credited) to the statement of profit or loss during the year (note 10)	**(402)**	(182)	**5,433**	–	**677**	6,276	**5,708**	6,094
Exchange realignment	**–**	–	**(84)**	–	**–**	–	**(84)**	–
Gross deferred tax liabilities recognised in the consolidated statement of financial position at 31 December	**3,554**	3,956	**11,596**	6,247	**31,256**	30,579	**46,406**	40,782

31. DEFERRED TAX (continued)

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

Deferred tax assets

	Losses available for offsetting against future taxable profits		Depreciation in excess of related depreciation allowance		Accruals		Total	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At 1 January	**244**	246	**2,887**	2,490	**6,195**	836	**9,326**	3,572
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 10)	**(112)**	(2)	**37**	458	**(870)**	5,441	**(945)**	5,897
Exchange realignment	**–**	–	**(129)**	(61)	**(267)**	(82)	**(396)**	(143)
Gross deferred tax assets recognised in the consolidated statement of financial position at 31 December	**132**	244	**2,795**	2,887	**5,058**	6,195	**7,985**	9,326

The Group has estimated tax losses arising in Hong Kong of HK$1,055,856,000 (2014: HK$1,004,563,000), 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$27,995,000 (2014: Nil) for offsetting against future taxable profits.

As at 31 December 2015, the tax losses of a subsidiary in Hong Kong of HK$800,000 (2014: HK$1,479,000) was recognised as the subsidiary has been generating assessable profits in prior years. In the opinion of the directors, it is considered probable that taxable profits will be available against which such tax losses can be utilised based on the estimated future taxable profits of the subsidiary. Deferred tax assets have not been recognised in respect of the remaining tax 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.

32. DEFERRED INCOME

	Notes	2015 HK$'000	2014 HK$'000
At 1 January		**3,598**	4,017
Recognised during the year	5	**(317)**	(323)
Exchange realignment		**(150)**	(96)
At 31 December		**3,131**	3,598
Portion classified as current liabilities	27	**(318)**	(333)
Non-current portion		**2,813**	3,265

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., (Xuahou) Ltd., a Group's solvent manufacturing subsidiary (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 because it 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.

33. SHARE CAPITAL

Shares

	2015 HK$'000	2014 HK$'000
Authorised:		
2,880,000,000 ordinary shares of HK$0.10 each	**288,000**	288,000
Issued and fully paid:		
1,903,685,690 (2014: 1,888,405,690) ordinary shares of HK$0.10 each	**190,369**	188,841

The summary of the movements of the Company's issued share capital and share premium account is as follows:

	Number of shares in issue	Issued share capital HK$'000	Share premium account HK$'000	Total HK$'000
At 1 January 2014, at 31 December 2014 and 1 January 2015	1,888,405,690	188,841	81,145	269,986
Exercise of share options*	15,280,000	1,528	7,825	9,353
At 31 December 2015	1,903,685,690	190,369	88,970	279,339

* On 22 May 2015, the subscription rights attaching to 15,280,000 share options granted to an employee were exercised at an exercise price of HK$0.44 per share, resulting in the issue of 15,280,000 new shares of the Company of HK$0.10 each for a total cash consideration, before share option expenses of HK$2,630,000, of approximately HK$6,723,000.

Share options

Details of the Company's share option schemes and the share options issued under the schemes are included in note 34 to the financial statements.

34. SHARE OPTION SCHEMES

The 2002 Scheme

On 28 June 2002, the Company adopted a share option scheme (the "2002 Scheme"), which was approved by the shareholders of the Company at the special general meeting held on the same date. The 2002 Scheme was adopted by the Company for the purpose of providing incentives to attract and retain employees of the Group, as well as other eligible persons, who made contributions to the Group.

152,800,000 share options were granted on 27 May 2010 under the 2002 Scheme to employees of the Group to subscribe for a total of 152,800,000 new shares of the Company of HK$0.10 each, and vested over a period of four years from the grant date, of which 50% of the share options vested immediately on the grant date, 10% of the share options vested on 27 May 2011, 10% of the share options vested on 27 May 2012, 10% of the share options vested on 27 May 2013 and 20% of the share options vested on 27 May 2014. These share options are exercisable at HK$0.44 per share and must be exercised within five years from the grant date, and if not so exercised, the share options shall lapse. These share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

For the share options granted on 27 May 2010, 15,280,000 share options were lapsed automatically when a grantee ceased to be an employee of the Group during the year ended 31 December 2014. During the year ended 31 December 2015, 15,280,000 share options were exercised and all the remaining 122,240,000 share options granted on 27 May 2010 were lapsed upon the expiry of exercise period of five years from the grant date.

The fair value of the share options granted on 27 May 2010 was HK$26,302,000, of which the Group recognised an equity-settled share option expense of HK$917,000 during the year ended 31 December 2014.

At the end of the reporting period, there was no (2014: 137,520,000) share options outstanding under the 2002 Scheme.

The 2012 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 a period of 10 years commencing on 28 June 2012, after which period no further options will be issued but, in all other respects, the provision 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 2015 and 2014, no share options were granted under the 2012 Scheme.

35. RESERVES

The amounts of the Group's reserves and the movements therein for the years ended 31 December 2014 and 2015 are presented in the consolidated statement of changes in equity.

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Major non-cash transactions

(a) During the year ended 31 December 2015, 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$1,451,000 (2014: HK$597,000).

(b) During the year ended 31 December 2015, 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$18,627,000 (2014: Nil).

(c) During the year ended 31 December 2014, the Group entered into finance lease arrangements in respect of property, plant and equipment with a total capital value at the inception of the leases of HK$68,000.

37. PLEDGE OF ASSETS

Details of the Group's bills payable, and bank loans and other borrowings secured by certain assets of the Group are included in notes 26 and 29, respectively, to the financial statements.

38. 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 ten 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 2015, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2015	2014
	HK$'000	HK$'000
Within one year	**24,085**	11,239
In the second to fifth years, inclusive	**15,651**	8,036
	39,736	19,275

(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 2015, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2015	2014
	HK$'000	HK$'000
Within one year	**1,685**	1,657
In the second to fifth years, inclusive	**979**	1,300
	2,664	2,957

39. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 38(b) above, the Group had the following capital commitments at the end of the reporting period:

	2015 HK$'000	2014 HK$'000
Contracted, but not provided for:		
Purchases of land use rights*	**1,864**	1,951
Construction and purchases of items of property, plant and equipment	**23,497**	7,523
	25,361	9,474

* 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 (2014: RMB6,658,000) had been paid by the Group as at 31 December 2015.

40. 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

	2015 HK$'000	2014 HK$'000
Short term employee benefits	**11,830**	12,579
Post-employment benefits	**386**	384
Total compensation paid/payable to key management personnel	**12,216**	12,963

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.

41. 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:

2015

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	–	354,360	–	354,360
Financial assets included in prepayments, deposits and other receivables	–	43,804	–	43,804
Structured deposits	160,549	–	–	160,549
Pledged deposits	–	3,179	–	3,179
Restricted cash	–	71,610	–	71,610
Cash and cash equivalents	–	277,394	–	277,394
	160,549	750,347	96,083	1,006,979

41. 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)

2015 (continued)

Financial liabilities

	Financial liabilities at fair value through profit or loss – held for trading HK$'000	Financial liabilities at amortised cost HK$'000	Total HK$'000
Due to an associate	–	2,800	2,800
Trade and bills payables	–	128,656	128,656
Financial liabilities included in other payables and accruals	–	34,941	34,941
Derivative financial instrument	10	–	10
Interest-bearing bank and other borrowings	–	205,350	205,350
	10	371,747	371,757

41. 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)

2014

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	–	442,772	–	442,772
Financial assets included in prepayments, deposits and other receivables	–	39,994	–	39,994
Structured deposits	203,037	–	–	203,037
Pledged deposits	–	1,742	–	1,742
Restricted cash	–	74,958	–	74,958
Cash and cash equivalents	–	223,506	–	223,506
	203,037	782,972	96,083	1,082,092

Financial liabilities

	Financial liabilities at fair value through profit or loss – held for trading HK$'000	Financial liabilities at amortised cost HK$'000	Total HK$'000
Due to an associate	–	2,550	2,550
Trade and bills payables	–	201,916	201,916
Financial liabilities included in other payables and accruals	–	36,334	36,334
Derivative financial instrument	16	–	16
Interest-bearing bank and other borrowings	–	194,547	194,547
	16	435,347	435,363

42. 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	
	2015	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Structured deposits	**160,549**	203,037	**160,549**	203,037
Financial liabilities				
Derivative financial instrument	**10**	16	**10**	16
Interest-bearing bank and other borrowings	**205,350**	194,547	**205,241**	194,389
	205,360	194,563	**205,251**	194,405

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, restricted cash, 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 director is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, the finance director 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 and balances with subsidiaries 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 2015 was assessed to be insignificant.

42. 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.

The Group enters into a derivative financial instrument with a financial institution with high credit rating. The fair value of the derivative financial instrument is based on the mark-to-market value quoted by the financial institution.

Below is a summary of significant unobservable inputs to the valuation of structured deposits together with a quantitative sensitivity analysis as at 31 December 2015 and 2014:

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	2015: 2.9% to 4.0% (2014: 3.6% to 4.8%)	5% increase (decrease) in expected rate of return would result in increase (decrease) in fair value by HK$244,000 (HK$232,000) (2014: HK$182,000 (HK$173,000))
		Discount rate	2015: 2.9% to 4.0% (2014: 3.7% to 4.8%)	5% increase (decrease) in discount rate would result in decrease (increase) in fair value by HK$133,000 (HK$127,000) (2014: HK$38,000 (HK$: 36,000))

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

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 2015				
Structured deposits	**–**	**–**	**160,549**	**160,549**
At 31 December 2014				
Structured deposits	–	–	203,037	203,037
Liability measured at fair value:				
At 31 December 2015				
Derivative financial instrument	**–**	**10**	**–**	**10**
At 31 December 2014				
Derivative financial instrument	–	16	–	16

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

Fair value hierarchy (continued)

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

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

	2015	2014
	HK$'000	HK$'000
Structured deposits		
At 1 January	**203,037**	167,377
Purchases	**412,683**	656,764
Disposals	**(453,181)**	(622,931)
Net gains recognised in the statement of profit or loss	**5,034**	5,683
Exchange realignment	**(7,024)**	(3,856)
At 31 December	**160,549**	203,037

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 (2014: Nil).

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Liabilities for which fair values are disclosed:				
At 31 December 2015				
Interest-bearing bank and other borrowings	**–**	**–**	**205,241**	**205,241**
At 31 December 2014				
Interest-bearing bank and other borrowings	–	–	194,389	194,389

43. 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, restricted cash, trade and bills receivables, deposits and other receivables, available-for-sale investments, an amount due to an associate, trade and bills payables, other payables and a derivative financial instrument, which arise directly from its operations.

The Group also enters into derivative transactions. The purpose is to manage the interest rate risk arising from the Group's operations and its sources of finance.

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. The Group's accounting policies in relation to derivatives are set out in note 2.4 to the financial statements.

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$'000**
2015		
HK$	**50**	**(790)**
RMB	**50**	**547**
HK$	**(50)**	**790**
RMB	**(50)**	**(547)**
2014		
HK$	50	(733)
RMB	50	551
HK$	(50)	733
RMB	(50)	(551)

43. 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 statement of financial position, with a portion of its bank loans denominated in RMB included, 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$'000
2015		
If HK$ weakens against RMB	**5**	**4,259**
If HK$ strengthens against RMB	**(5)**	**(4,259)**
2014		
If HK$ weakens against RMB	5	4,356
If HK$ strengthens against RMB	(5)	(4,356)

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, restricted cash, 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.

43. 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$'000	Over five years HK$'000	Total HK$'000
2015					
Due to an associate	–	2,800	–	–	2,800
Trade and bills payables	–	128,656	–	–	128,656
Other payables	3,509	31,432	–	–	34,941
Derivative financial instrument	–	10	–	–	10
Interest-bearing bank borrowings	–	189,476	16,425	–	205,901
Finance lease payables	–	25	54	–	79
	3,509	352,399	16,479	–	372,387
2014					
Due to an associate	–	2,550	–	–	2,550
Trade and bills payables	–	201,916	–	–	201,916
Other payables	5,206	31,128	–	–	36,334
Derivative financial instrument	–	16	–	–	16
Interest-bearing bank borrowings	–	172,717	21,559	1,013	195,289
Finance lease payables	–	206	79	–	285
	5,206	408,533	21,638	1,013	436,390

43. 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 2015 and 31 December 2014.

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:

	2015 **HK$'000**	2014 HK$'000
Bank and other borrowings	**205,350**	194,547
Equity attributable to owners of the parent	**1,466,037**	1,339,239
Less: Leasehold land and building revaluation reserve	**(249,069)**	(152,206)
Investment property revaluation reserve	**(13,557)**	(13,557)
Adjusted capital	**1,203,411**	1,173,476
Gearing ratio	**17.1%**	16.6%

44. 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:

	2015 HK$'000	2014 HK$'000
NON-CURRENT ASSETS		
Property, plant and equipment	**405**	148
Interests in subsidiaries	**373,181**	386,459
Due from subsidiaries	**221,146**	203,674
Total non-current assets	**594,732**	590,281
CURRENT ASSETS		
Prepayments, deposits and other receivables	**144**	164
Cash and cash equivalents	**24,638**	16,129
Total current assets	**24,782**	16,293
CURRENT LIABILITIES		
Other payables and accruals	**3,702**	4,145
Interest-bearing other borrowings	**13**	12
Total current liabilities	**3,715**	4,157
NET CURRENT ASSETS	**21,067**	12,136
TOTAL ASSETS LESS CURRENT LIABILITIES	**615,799**	602,417
NON-CURRENT LIABILITIES		
Interest-bearing other borrowings	**39**	53
Net assets	**615,760**	602,364
EQUITY		
Issued capital	**190,369**	188,841
Reserves (note)	**425,391**	413,523
Total equity	**615,760**	602,364

Lam Ting Ball, Paul
Director

Tsui Ho Chuen, Philip
Director

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

Note:

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

	Share premium account HK$'000	Share option reserve# HK$'000	Contributed surplus* HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000
At 1 January 2014	81,145	25,385	370,772	(77,266)	400,036
Total comprehensive income for the year	–	–	–	35,231	35,231
Equity-settled share option arrangement	–	917	–	–	917
Transfer of share option reserve upon the lapse of share options	–	(2,630)	–	2,630	–
Final 2013 dividend declared and paid	–	–	(22,661)	–	(22,661)
At 31 December 2014 and 1 January 2015	**81,145**	**23,672**	**348,111**	**(39,405)**	**413,523**
Total comprehensive income for the year	**–**	**–**	**–**	**29,517**	**29,517**
Exercise of share options	**7,825**	**(2,630)**	**–**	**–**	**5,195**
Transfer of share option reserve upon the lapse of share options	**–**	**(21,042)**	**–**	**21,042**	**–**
Final 2014 dividend declared and paid	**–**	**–**	**(22,844)**	**–**	**(22,844)**
At 31 December 2015	**88,970**	**–**	**325,267**	**11,154**	**425,391**

* 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 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.

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payment transactions in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits or accumulated losses should the related options expire or be forfeited/lapsed.

45. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 23 March 2016.

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 No. 1-3 on Ground Floor Room No. 11, 12, 14, 15 and 16 on 1st Floor Room No. 21, 22, 23, 24 and 25 on 2nd Floor Room No. 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

Schedule of Principal Properties

31 December 2015

INVESTMENT PROPERTIES (continued)

Location	Percentage of interest in property attributable to the Group	Type of existing leasehold	Existing use
Factory Complex Ling Dong Road Xin Hua Gangkou Industrial Development Zone Hua Du District Guangzhan City Guangdong Province the PRC	100	Medium term	Industrial
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

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	Planning application in progress

Glossary

2002 Share Option Scheme	The share option scheme adopted by the Company on 28 June 2002 and expired on 27 June 2012
2012 Share Option Scheme	The share option scheme adopted by the Company on 28 June 2012
AC Chairman	The chairman of the Audit Committee
AC or Audit Committee	The audit committee of the Company
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 Company
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
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 Company
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
Stock Exchange	The Stock Exchange of Hong Kong Limited

CNT GROUP LIMITED

北海集團有限公司