CNT GROUP LIMITED
北 海 集 團 有 限 公 司

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

ANNUAL REPORT
2016

GOLDEN
FLOWER

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
Hung Ting Ho, Richard

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

AUDITOR

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

SHARE REGISTRARS

Hong Kong

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

Bermuda

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

PRINCIPAL BANKERS

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

REGISTERED OFFICE

Clarendon House, 2 Church Street
Hamilton HM 11, Bermuda

PRINCIPAL OFFICE

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Wanchai, Hong Kong

WEBSITE

www.cntgroup.com.hk

In 2016, Mainland China had recorded its weakest economic growth since 1990. The gross domestic product ("GDP") growth rate of Mainland China was 6.7%, which was lower than 6.9% in the fourth quarter of 2015 but was within the target range of 6.5% to 7.0% set by the Chinese Government. In order to maintain economic stability, the Chinese Government was trying to rebalance its economy to adapt to slower growth for both domestic and export sides. The Chinese Government continued to implement the "supply-side structural reform" while appropriately expanding aggregate demand have boosted the domestic economy, and economic restructuring and liberalization have also generated new areas of growth.

RESULTS

The Group recorded a profit attributable to the shareholders of the Company for the year ended 31 December 2016 of approximately HK$87.67 million (2015: approximately HK$86.35 million), representing a slightly growth of 1.5% when compared with last year.

Revenue for the year amounted to approximately HK$1,164.55 million, representing an increase of 5.6% when compared with last year. Gross profit increased by approximately HK$35.06 million, representing an increase of 9.9% when compared with last year.

PROSPECTS

Looking forward, the operating environment will remain challenging under the current macro-environment. The Chinese Government has set a GDP growth target for 2017 at about 6.5%, which is lower than the actual growth rate of 2016. According to China's 2017 Government Work Report, there will be further reduction of excess capacity from supply side, de-leveraging of companies that are heavily leveraged, elimination of traditional manufactory sectors which are low value-added, and upgrading of public services and infrastructures. The reform in industrial structure and development strategy in different regions will keep pace, thus opportunities exist.

Paint Products

Amid the Chinese Government's call for destocking, the inventory of salable commodity housing kept hitting a low record in the Mainland China. The paint and coating industry was in favor of consumption expenditure on paint and coating products in 2016. Thus, sales value of paints and coatings in the Mainland China increased from RMB223.60 billion in 2010 to RMB432.70 billion in 2016 with a compound annual growth rate ("CAGR") of 11.6%, and sales volume of paints and coatings in the Mainland China increased from 11.30 million tonnes in 2010 to 17.90 million tonnes in 2016 with a CAGR of 7.9%.

The Group can achieve future growth through the following main drivers of paints and coatings market in Mainland China:

Continuous Growth of Downstream Markets

The major downstream markets of paint and coating products are construction, furniture, automobile and decoration, which are closely related to people's livelihood and consumption. Steady growth of macro-economy and rising living standards of Mainland China's residences will continue to drive the growth of real-estate, decoration and automobile market, leading to increasing demand for paint and coating products. In addition, emerging markets such as windpower turbine and high-speed railway provide growing demand for specialized paint and coating products.

PROSPECTS (continued)

Paint Products (continued)

Diversified Demand and Upgrade of Consumption

With rising living standards, people are seeking for more personalization, better quality and safety in their choices for decoration and furniture, leading to increasing usage of environmental-friendly and high-quality paint and coating products.

Government Support on Environmental-friendly Paint and Coating Products

Production of environmental-friendly paint and coating products are encouraged by the Chinese Government. Supportive policies will encourage the development of environmental-friendly coatings and ensure healthy growth of the industry in the long term.

Increasing Application of Protective Coatings

Maintenance cost of industrial equipment contributes to a significant portion of production cost. With rising awareness of the important role of protective coatings and improvement of technology for protective functions such as anticorrosion and waterproof, protective coatings are expected to be adopted more widely in equipment production or refurnishing.

In addition, according to an industry research report a large market growth in the industrial wood coating products which are sold to wooden furniture factories is expected. From 2010 to 2016, the sales volume of industrial wood coating products increased with a CAGR of 8.9%. The sales volume of industrial wood coating products is expected to increase.

It is forecasted that the sales value of paint and coating products in Mainland China will reach RMB574.60 billion in 2021, with a CAGR of 5.7% from 2017 to 2021, and the sales volume of paints and coatings in Mainland China is expected to hit a record of 22.3 million tonnes in 2021, indicating a CAGR of 4.4% from 2017 to 2021. In addition, we will continue to strengthen our market position in Mainland China, expand our paint and coating product portfolio for selected market segments in selected geographical markets in Mainland China, and expand our production capacity for water-based paint and coating products.

Property Investment

Although buying sentiment in Hong Kong residential property improved steadily in 2016, the high bidding price for residential sites in Hong Kong in 2016 which was out of market expectations will push the price of residential property upward again.

The Hong Kong government proposed a new flat-rate of 15% stamp duty in November 2016 on non-first time buyers of residential properties in order to curb speculative activity. This measure caused transaction volumes to slump in December 2016.

The Federal Reserve of the U.S. raised interest rates by 0.25% in March 2017. It is expected that the interest rate will rise further in 2017 and the lending rate of Hong Kong borrowing may follow the trend of U.S.. With strong demand and limited supply of residential and commercial properties in Hong Kong, we expect the property price will grow steadily over 2017.

In the coming year, the Group will continue to study the feasibility 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.

PROSPECTS (continued)

Iron and Steel Trading and Related Investments

The Group trades tinplate which is the main raw material for its tinplate packaging, and is mainly used to produce twopiece or threepiece beverage cans, food cans (including milk powder cans) and others.

According to the recent report on metal packaging container manufacturing industry in Mainland China, the sale revenue of metal package had been on a rising trend in the past five year from RMB570.15 billion in 2009 to RMB1,375.25 billion in 2015.

At present, the metal packaging industry in Mainland China has entered a period of steady development. According to a forecast for 2017 conducted by a research company, the metal packaging of twopiece or threepiece beverage cans will have a continued growth rate around 7.0% in 2017.

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. Nevertheless, the Group will continue to focus on its paint operation and is committed to becoming a leading manufacturer of high quality green and safe paint products.

BUSINESS REVIEW

Paint Products

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

Industrial paint and coating products, architectural paint and coating products, and general paint and coating and ancillary products accounted for 56.3% (2015: 54.5%), 20.8% (2015: 19.8%) and 22.9% (2015: 25.7%) of the total revenue of paint business respectively in 2016. We continue to focus our market on Mainland China which contributed to approximately 91.5% (2015: 92.8%) of the total revenue of the paint business in 2016.

In light of the significant decrease in our revenue in 2015, we had taken a number of business initiatives to revamp our operating results. These business initiatives included the followings:

Adjustment in our pricing policy

Following the significant decrease in the amount of revenue in 2015, we had reduced the selling prices of our products for the purpose of providing incentives to our distributors. The other initiatives included the provision of additional discount to the distributors. We believed that the increased amount of purchase discount would motivate our distributors in promoting and selling our paint and coating products.

We also considered that our pricing strategy should focus on the medium to high-end customers. We had implemented an improved and flexible pricing strategy with focus on demand and supply dynamics and price incentives.

Appointment of new management team for sales and marketing in selected regions in Mainland China

We recognised that one of the reasons for the significant decrease in our revenue in Eastern China and Central China was the profit margin maintaining pricing strategy amid the increasing competitive retailing wood coating market in Mainland China. In order to strengthen our business presence in the Mainland China regions which recorded decreasing revenue, we recruited a new sales general manager to oversee our sales teams in Eastern China, Southwestern China, Northwestern China and Central China. New brand promotional strategies had been launched for the promotion of the existing paint and coating products in these regions. In addition, we have also strengthened our sales teams in these regions.

BUSINESS REVIEW (continued)

Paint Products (continued)

Re-arranging new distributors with streamlined distribution network

We are in the process of building up established business relationships with selected sizeable distributors in each region of Mainland China and those distributors will be responsible for establishing their own distribution network. For this purpose and in order to strengthen our business presence in Eastern China and Central China, we have held a series of meetings with the existing and new distributors in 2016 for sales promotion and introduction of new products.

We continue the process of appointing new distributors in Mainland China for the promotion and sales of our existing and new paint and coating products. Each of our distributors can access to sufficiently large regional market for the sales of our existing and new paint and coating products.

In order to expand our customer base, we have started strengthening the relationship with customers in the industrial wood coating market through connecting with manufacturers of a wide range of consumer goods, industrial products and home furniture and fitting and appointment of dedicated sales personnel to explore the market. This strategy is intended to reduce our reliance on the retailing wood coating market and promote our existing solvent-based paint and coating products, as well as the water-based and environmental-friendly paint and coating products, for wood coating application.

Launch of new water-based paint and coating products in Hong Kong and Mainland China

Since the launch of water-based architectural paint and coating products under the brands of "Resene" and "ZICERA" in Hong Kong, our dedicated sales team promoted these products to designers, architectural firms and renovation contractors which conduct interior and exterior renovation for residential and commercial premises. In 2016, we launched twelve new water-based paint and coating products and one non-paint wall cleaning product in Hong Kong and the Mainland China. We have plans to increase the production of water-based paint and coating products because of the industry trend and consumers' preference as well as the implementation of restrictive regulations in Mainland China. We have also established a task force for promoting our water-based paint and coating products to customers in the industrial wood coating market and furniture manufacturers in Southern China and Eastern China. For the existing brands, our efforts are focused on promoting the environmental protection aspect of the existing paint and coating products of the Group. In this connection, we have launched promotional campaigns on the environmental protection and safety features of the paint and coating products such as waterborne liquid, chromate-free, powder, low-VOC and high-solids coating products. In 2016, we held a number of conferences and meetings with distributors on the new water-based paint and coating products.

As a result of the above business initiatives and improved operation environment, our revenue in 2016 in terms of Hong Kong dollars increased by 8.0% as compared with the revenue in 2015. As most of our sales are conducted in RMB and the reporting currency in our audited financial statements is Hong Kong dollars, given the fact that the RMB has depreciated by 5.8% during the year ended 31 December 2016, the increase in our revenue in 2016 in terms of RMB, as compared with the revenue in 2015, was 13.0%.

BUSINESS REVIEW (continued)

Paint Products (continued)

Launch of new water-based paint and coating products in Hong Kong and Mainland China (continued)

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

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

Although Mainland China's real GDP growth rate decreased from 9.5% in 2011 to 6.7% in 2016 and is expected to decrease further from 6.5% in 2017 to 6.0% in 2021, the nominal GDP increased from RMB41.10 trillion in 2010 to RMB75.00 trillion in 2016 with a CAGR of 10.5% and is expected to increase further to RMB108.70 trillion in 2021, representing a CAGR of 7.9% from 2017 to 2021. The rapid growth of Mainland China's economy has resulted in the increase in consumers' spending and acceleration of urbanization. As urbanization is one of the strategic focuses of the Chinese Government, Mainland China is in a stage of rapid development of urbanization. Due to the rapid economic development and the influx of migrants from rural area to cities, Mainland China's urban population has been steadily increasing. In 2016, the urbanization rate hit 57.5%. It is anticipated that the urbanization rate will continue to grow in the foreseeable future, fueling the growing demand for consumption and municipal construction. In 2021, it is estimated that this rate will reach 65.2%. The annual disposable income of urban households in Mainland China increased from RMB19,100 in 2010 to RMB33,600 in 2016 with a CAGR of 9.9%, and is expected to increase to RMB48,600 in 2021, representing a CAGR of 7.8%. Although the annual disposable income will continue to grow in the future, the growth rate will slow down due to the estimated reduction of the growth rate of Mainland China's GDP from 2017 to 2021. The increase of annual disposable income of urban households will drive the need for urban infrastructure, transportation system, and accommodation and consumer products. The increase in urban population as well as the ongoing improvement in household disposable income and living standard are expected to reinforce the demand for real estate and therefore produce a stable demand for paint products. We believe that our paint operation will benefit from the growth of Mainland China's economy.

Property Investment

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

In August 2015, we had entered into agreements with an independent property developer for the acquisition of two commercial premises in the first-tier city, Shanghai, the PRC during its pre-sale period at the consideration of approximately RMB20.20 million, which was financed by internal resources of the Group. These properties were handed over to us in December 2016. We have put these investment properties into market for leasing to earn rental income for long term investment purposes.

BUSINESS REVIEW (continued)

Property Investment (continued)

In April 2016, we had entered into an agreement with an independent property developer for the acquisition of a commercial premise in the first-tier city, Beijing, the PRC during its pre-sale period at the consideration of approximately RMB33.56 million, which was financed by internal resources of the Group. The property was handed over to us in November 2016. We have put these investment properties into market for leasing to earn rental income for long term investment purposes.

As at 31 December 2016, the aggregate market value of investment properties held by the Group amounted to approximately HK$644.32 million, representing an increase of approximately 13.1% when compared to 2015. Such increase was mainly due to the increase in the net fair value of the Group's investment property portfolio for 2016 for approximately HK$20.04 million and the acquisition of office premises mentioned above in the amount of approximately HK$61.15 million.

We continued to maintain a high occupancy rate of about 95.0% (2015: 95.7%) and recorded gross rental income (including inter-group rental income) of approximately HK$39.84 million in 2016 when compared to approximately HK$38.48 million in 2015.

The review application under Section 17 of Town Planning Ordinance ("TPO") to seek the Town Planning Board's ("TPB") approval for a proposed columbarium on our existing land located in Au Tau, Yuen Long, Hong Kong was rejected in December 2014. We 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 completed in the second quarter of 2017.

In May 2016, we submitted a planning application under Section 16 of TPO to seek TPB's approval for the proposed residential development on our existing warehouses located in Sai Kung, New Territories, Hong Kong (the "Land"). The purpose of applying for the change in the permitted usage of the Land is to secure a redevelopment opportunity for achieving a high investment return or enhancing the property portfolios of the Group. We have not made any final decision on the redevelopment of the Land. We will consider the prevailing and the anticipated property market conditions for different types of commercial, residential and industrial properties, the availability and the terms of the financial resources, the likely investment return, the long-term development plan as well as the interest of the Group and the shareholders of the Company as a whole.

The property industry in Mainland China has developed rapidly in the past decade and contributed to a significant portion of the Mainland China's GDP. The Chinese Government leverages the policies in real estate market as a tool to guide the macro-economy. In 2015 and 2016, the Chinese Government focused on destocking the real estate market and put forward favorable policies, such as reforming housing system by developing the lease market of real estates and increasing the amounts of loan from Housing Accumulation Fund to employees for purchasing their first house, to stimulate the real estate market. We believe the demand in real estate will remain on the rise and therefore we will continue to pay attention on the commercial and residential property markets in the Mainland China as well as Hong Kong and will consider the feasibility of acquiring additional properties in order to diversify and broaden the investment portfolio of the Group.

BUSINESS REVIEW (continued)

Iron and Steel Trading and Related Investments

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

As a result of excess production capacity and fierce competition in the tinplate industry, revenue continued to drop by approximately HK$18.97 million for the year 2015 to approximately HK$193.30 million for the year 2016. Gross profit increased slightly to approximately HK$6.97 million when compared with that of approximately HK$6.11 million last year. The gross profit margin improved from approximately 2.9% in 2015 to approximately 3.6% in 2016.

Increasing consumer awareness on the recycling and environmental benefits of the tinplate packaging has led to a positive outlook for the industry. In addition, the Chinese consumer's demand is driven by the rising disposable incomes, urbanization, and brand exposure. Therefore, demand for tinplate products in Mainland China is expected to have a single digit growth in 2017.

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

Available-for-sale Investments

We have an effective interest of 12.2% (2015: 11.9%) in the cemetery project ("the Cemetery") situated in Sihui, Guangdong Province, the PRC. The Cemetery is operated under the name of "Fortune Wealth Memorial Park". Its principal activities are the development, construction, management and operation of a cemetery. The main types of products of the cemetery are outdoor grave lots, ordinary columbarium niches and luxury columbarium niches.

The Cemetery comprises a site of 518 mu, of which 100 mu have been substantially completed and the remaining 418 mu have commenced design work, and an adjacent site of 4,482 mu, which has been reserved, making up a total of 5,000 mu.

In the development aspect, the Cemetery has completed 12 graveyards with 5,485 grave plots and a mausoleum with 550 niches. In November 2016, the Cemetery further obtained the land use rights certificates to develop approximately 46.8 mu of land which is planned for the development of an additional 4,300 grave plots.

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

FINANCIAL REVIEW

The management has been provided with 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$87.67 million for the year when compared with that of approximately HK$86.35 million last year. Revenue for the year amounted to approximately HK$1,164.55 million, representing an increase of approximately 5.6% when compared with that of last year. Gross profit for the year amounted to approximately HK$388.13 million, representing an increase of approximately 9.9% when compared with that of last year. The gross profit margin improved by 4.1% from 32.0% in 2015 to 33.3% in 2016.

SEGMENT INFORMATION

Business Segments

Paint Products

Paint operation continued to be the principal business of the Group with revenue of approximately HK$937.45 million, accounting for approximately 80.5% of the Group's total revenue. The revenue increased by 8.0% when compared with that of last year. Despite the reduction of average selling prices in 2016, the gross profit margin in 2016 was 37.1% which remained at a similar level when compared with 37.4% in 2015 as a result of the strict control on costs and expenses. Segment profit for the year amounted to approximately HK$69.71 million, representing a significant increase of approximately 27.6% when compared with 2015.

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

Property Investment

Property investment operation reported revenue of approximately HK$33.80 million, accounting for approximately 2.9% of the Group's total revenue. Segment profit for the year decreased to approximately HK$46.39 million when compared with that of approximately HK$62.73 million last year. The drop in segment profit was mainly due to the decrease in the net fair value gains of the investment properties of approximately HK$10.09 million and the incurrence of legal and professional fees of approximately HK$6.42 million related to appealing the rejected proposed columbarium development in Au Tau, Yuen Long, Hong Kong.

Iron and Steel Trading and Related Investments

Iron and steel operation reported revenue of approximately HK$193.30 million, accounting for approximately 16.6% of the Group's total revenue. Revenue for the year dropped by approximately 8.9% when compared with that of last year, as the iron and steel industry in Mainland China continued to suffer an over-supply as a result of excess production capacity. Segment profit for the year amounted to approximately HK$4.38 million when compared with a loss of approximately HK$0.66 million last year. The significant increase in segment result for the year was mainly due to the share of profit from an associate for 2016 amounted to approximately HK$0.67 million when compared with a loss of approximately HK$5.50 million in 2015.

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$1,053.37 million (2015: HK$1,020.32 million) and approximately HK$111.18 million (2015: HK$82.44 million) respectively in 2016.

LIQUIDITY AND FINANCIAL INFORMATION

The Group's business operation was generally financed by its internal funding and bank borrowings. Cash and cash equivalents amounted to approximately HK$266.38 million as at 31 December 2016 when compared with approximately HK$277.39 million as at 31 December 2015. Total cash and bank balances, including structured deposits, pledged deposits and restricted cash, amounted to approximately HK$367.31 million as at 31 December 2016 when compared with approximately HK$512.73 million as at 31 December 2015. Bank and other borrowings amounted to approximately HK$165.92 million as at 31 December 2016 when compared with approximately HK$205.35 million as at 31 December 2015. 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 2016, approximately HK$154.32 million (93.0%) was payable within one year, approximately HK$6.25 million (3.8%) was payable in the second year and approximately HK$5.35 million (3.2%) 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 13.7% as at 31 December 2016 when compared with 17.1% as at 31 December 2015.

Liquidity ratio of the Group which was expressed as a percentage of current assets to current liabilities was 1.84 times as at 31 December 2016 when compared with 2.01 times as at 31 December 2015.

For the year under review, the inventory turnover days[1] were 33 days which was same as that of 33 days in 2015. The trade and bills receivables turnover days[2] were 133 days which was comparable with that of 132 days in 2015.

Equity and Net Asset Value

Shareholders' funds of the Group as at 31 December 2016 was approximately HK$1,477.64 million when compared with approximately HK$1,466.04 million as at 31 December 2015. 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 2016 was approximately HK$1,215.01 million when compared with approximately HK$1,203.41 million as at 31 December 2015. Net assets value per share as at 31 December 2016 was HK$0.78 when compared with HK$0.77 as at 31 December 2015.

Contingent liabilities

At 31 December 2016, the banking facilities granted to various subsidiaries subject to guarantees given to banks by the Company were utilized to the extent of approximately HK$171.68 million when compared with HK$214.53 million as at 31 December 2015.

Pledge of assets

Certain land and buildings, investment properties, restricted cash and cash deposits with aggregate net book value of HK$571.58 million as at 31 December 2016 (31 December 2015: HK$637.84 million) were pledged as collaterals for bank and other borrowings. At 31 December 2016, total outstanding secured bank and other borrowings amounted to HK$143.34 million when compared with HK$196.58 million as at 31 December 2015.

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

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

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 2016. 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$66.40 million (2015: HK$54.67 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 2016 was 1,051 (31 December 2015: 1,115). Staff costs (excluding directors' emoluments) amounted to HK$179.22 million for the year as compared with HK$170.36 million last year. The Group has a comprehensive and competitive staff remuneration and benefits system which is formulated on the performance of individual employees. In addition, the Group also provides a staff option scheme.

PRINCIPAL RISKS AND UNCERTAINTIES

FINANCIAL RISKS

Interest Rate Risk

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

Currency Rate Risk

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

Credit Risk

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

BUSINESS RISKS

Market Risks

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

Operational Risk

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

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

UPDATES ON THE PROPOSED SPIN OFF AND LISTING

As disclosed in the announcement of the Company dated 23 November 2016, a listing application form (Form A1) for the listing of, and permission to deal in, the shares in issue of and to be issued by CPM Group Limited (the "Proposed Spin-off and the Listing"), a wholly-owned subsidiary of the Company, on The Stock Exchange of Hong Kong Limited ("the Stock Exchange") was submitted to the Stock Exchange on 23 November 2016. Up to the date of this report, the Proposed Spin-off and the Listing is pending for the Stock Exchange's approval. The Board believes that the Proposed Spin-off and the Listing, if successful, will be beneficial to the Group as it will enhance the shareholder value, improve capital raising ability and increase the operational and financial transparency of its businesses.

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 2016.

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 2016, 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 *(resigned on 12 April 2016)*
Hung Ting Ho, Richard *(appointed on 4 July 2016)*

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, if any, are set out in the "Biographies of Directors and Senior Management" on pages 36 to 37.

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. The attendance record of each Director at the Board meetings and general meetings of the Company during the year is set out below:

Directors	Number of Board meetings attended/held	Number of general meetings attended/held
Executive Directors		
Lam Ting Ball, Paul	5/5	1/1
Tsui Ho Chuen, Philip	5/5	0/1
Chong Chi Kwan	5/5	1/1
Non-executive Directors		
Chan Wa Shek	4/5	0/1
Zhang Yulin	1/5	0/1
Ko Sheung Chi (Note 1)	1/1	N/A
Hung Ting Ho, Richard (Note 2)	4/4	N/A
Independent Non-executive Directors		
Sir David Akers-Jones	5/5	1/1
Danny T Wong	5/5	1/1
Steven Chow	5/5	1/1
Zhang Xiaojing	0/5	0/1

Note 1: Mr. Ko Sheung Chi resigned as a non-executive Director with effect from 12 April 2016.
Note 2: Mr. Hung Ting Ho, Richard has been appointed as a non-executive Director with effect from 4 July 2016.

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

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

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

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

DIRECTORS' TRAINING

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

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

DIRECTORS' TRAINING (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 auditor the reporting of financial and other information to the Shareholders (including the 2015 annual results and the 2016 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 risk management and internal control system of the Group. The Audit Committee resolved by resolutions in writing to (i) approve the fee, terms and conditions of engaging the Company's external auditor to audit and report on the financial statements of the Group for the year ended 31 December 2015; and (ii) approve the scope and extent of the agreed-upon procedures engagement in respect to the unaudited consolidated financial statements of the Group for the six months ended 30 June 2016. The Audit Committee also keeps under review the independence and objectivity of the Company's external auditor and the non-audit services provided by the Company's external auditor 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	2/2
Danny T Wong	2/2	2/2
Chan Wa Shek	1/2	2/2

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

INTERNAL AUDIT

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

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

INTERNAL AUDIT (continued)

The Company established an internal audit team. The internal audit team of the Company reviews the major operational, financial and compliance controls and risk management functions of the Group on a continuing basis and aims to cover all major operations of the Group on a rotational basis. The internal audit team of the Company presents its internal audit plan annually to the Managing Director for approval. And it also discusses and agrees with the Audit Committee on its audit plan at the Audit Committee's meeting.

POLICY ON DISCLOSURE OF INSIDE INFORMATION

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

CORPORATE GOVERNANCE 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 as set out in the Model Code and the Company's own code during the year ended 31 December 2016.

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 AUDITOR'S REMUNERATION

In 2016, the remuneration of the Company's external auditor, Ernst & Young, is set out below:

Services rendered to the Group	Remuneration
	HK$
Audit services	8,380,000
Non-audit services	1,496,858
	9,876,858

The non-audit services rendered by the Company's external auditor to the Group included performance of agreed-upon procedures on the 2016 interim financial statements, the preliminary results announcement for the year ended 31 December 2016, and the unaudited proforma combined financial statements for the Proposed Spin-off, internal controls advisory services, tax review services 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 2016, 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 auditor about their reporting responsibilities on the financial statements is set out in the "Independent Auditor's Report" on pages 44 to 48.

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 2016 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

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

On behalf of the Board

Lam Ting Ball, Paul
Chairman
30 March 2017

ABOUT THIS REPORT

Reporting Scope

This is our first Environmental, Social and Governance (hereinafter called "ESG") Report. The Group is principally engaged in the manufacture and sale of paint products, property investment, iron and steel trading, and investment holding activities. This report mainly covers the paint product business as it has the most significant impact to the investors and other stakeholders. The reporting period covers the financial year ended 31 December 2016.

ESG Reporting Guide of the Stock Exchange

To comply with the requirements and guidelines of disclosure obligations as set out in Appendix 27 to the Listing Rules, the Group begins its ESG information disclosure in the financial year commencing from 1 January 2016. We believe that unity is strength. Employees who are professional, well-trained and responsible are always the keys to sustainable development and success. Therefore, we adopt a systematic approach in staff training which is crucial to research and development and the improvement of quality of our products. As a responsible and visionary enterprise, through attaining our business goals and philosophy, promoting sustainable strategies, implementing environmental-friendly policies, fulfilling social responsibility and continuous staff development, we have optimized measures in corporate governance, environmental protection, community investment and staff training which create values for shareholders/investors and help to build a better and harmonious environment.

ENVIRONMENTAL PROTECTION

The manufacture of paint involves the synthesis of resins and the use of organic solvents, pigments, additives and other chemical materials. The production process generates volatile organic compounds and paint waste residue. The production process of water-based paint discharges industrial waste water inevitably. It is necessary for us to manage the impact of the discharge of waste gas and waste water on the surrounding environment properly. Environmental regulations have become more stringent over the years. Despite the increase in the environmental cost, we have invested in environmental protection facilities. With the vision of "Protecting the blue sky and clear water" and following the aims of "Prevention First, Protect the Environment, Comply with Laws and Regulations and Environmental Sustainability", we plan, implement and develop our production process carefully for better integration of economic, social and environmental benefits. In the future, we will continue our effort in striving for the reduction of energy consumption, economization of the utilization of and effective recycle and reuse of resources, and the optimization of pollutants treatment. We believe that this report will enable our shareholders and other stakeholders to have a better understanding of our determination and the effort we have put into the protection of global ecological environment. Creating economic value, and avoiding and/or reducing pollution and harm to the environment and the society in our manufacturing process are both important to us. We hope that more industrial enterprises, commercial enterprises, social organizations and the general public will participate in environmental protection to help to build a better world and facilitate sustainable development.

During the reporting period, the paint business of the Group did not have any material impact on the environment and natural resources.

ENVIRONMENTAL PROTECTION (continued)

Our policies and practices in environmental protection are as follows:

Management of Emissions

We have set up a hazardous waste working team to lead, supervise and coordinate various initiatives in environmental protection with the aims to promote environmental protection and, at the same time, to contribute to the Group's steady development.

1. **Management of air and greenhouse gas emissions**

   The safety and environmental protection department of the Group is responsible for managing industrial waste gas and ensuring full compliance with industrial waste gas standards. Waste gas is treated with active charcoal and released through exhaust pipes. We engage an independent third party to test the concentrations of the emissions from various production plants once a year. Such tests include the measurement of benzene, methylbenzene, xylene and volatile organic compounds. During the year, all the tests results were in compliance with the national emissions standards. The engineering department of the Group is responsible for regular repair and maintenance of the industrial waste gas treatment facilities to ensure that the facilities function properly and to prevent any accidents which may result in pollution.

2. **Management of waste water**

   For the purpose of implementing the "Notice of the State Council on Issuing the Action Plan for Preventing and Treatment of Water Pollution" and complying with the increasingly stringent laws and regulations, we continuously upgrade and improve our sewage treatment system. The safety and environmental protection department of the Group is responsible for the management of waste water. Our wastewater treatment facilities include conditioning tanks, sedimentation tanks, chemical tanks and biological pools. Waste water discharged from the production of water-based paint is processed by filtration, sedimentation coagulation, and chemical and biological treatments. Only waste water in compliance with the applicable regulatory standards in all material aspects is discharged. We monitor the chemical oxygen demand ("COD") of the waste water regularly and measure the pH value of the waste water once a day. In addition, we engage an independent third party to test and measure the pH value, suspended substance, ammonia nitrogen, biochemical oxygen demand and COD of waste water quarterly. During the year, all quarterly test results were in compliance with the national emissions standards. The PRC government also performs tests on waste water two to three times a year. Failure to comply with the relevant standards will result in the issue of breaches report. During the year, we had not received any breaches report from the PRC government. Daily maintenance and management of the waste water treatment facilities is strengthened to ensure their proper functioning. The facilities are inspected regularly to prevent the overflow of waste water and to avoid any abnormal conditions which may result in significant pollution.

ENVIRONMENTAL PROTECTION (continued)

Management of Emissions (continued)

3. Management of disposal of solid wastes

To comply with the national laws and regulations on the prevention and control of environmental pollution caused by solid wastes, we have established policies and procedures to manage and monitor the workflow of handling solid wastes. Solid wastes generated during the production process may be categorized as recyclable wastes, non-recyclable wastes and hazardous wastes. We recycle as much recyclable wastes as we can. We have engaged qualified waste disposal companies for the disposal of non-recyclable wastes. Hazardous wastes are treated in accordance with national requirements.

Hazardous wastes

(1) Sludge

We clean up the sludge generated during the sewage treatment process regularly. We deal with sludge in the sedimentation tank twice during the morning and afternoon time. The sludge is then discharged to the sludge thickening basin. The frequency of discharge can be increased whenever necessary. After dehydrating by frame filter press, sludge is removed to the designated locations, and then delivered to the municipal industrial waste treatment station for further treatment.

(2) Other hazardous wastes

The responsible department and user units of the Group strictly comply with the relevant national laws and regulations, and internal policies and procedures when using, transporting and storing hazardous substances, and take necessary measures to prevent environmental pollution. During the production process, cans, wipes and filters contaminated with hazardous substances are handled with stringent process and are stored at designated locations, and then delivered to the municipal industrial waste treatment station by qualified waste disposal companies for further treatment.

Non-hazardous wastes

For non-hazardous wastes such as packing materials and pallets, our main policy is to recycle, reuse and reduce such wastes. We also encourage and support the exploration of different ways of recycling.

4. Management of noise

We strictly control and manage noise produced during the operation of production facilities. All production facilities go through acoustic treatment. The engineering department of the Group is responsible for the management, repair and maintenance of production facilities and generators to ensure that the noise produced is within the national standards. We conduct an assessment of the noise level annually. During the year, the test result was in compliance with the national emission standards.

During the reporting period, the Group did not involve in any non-compliance incidents relating to environmental laws and regulations that have significant impact on the Group.

ENVIRONMENTAL PROTECTION (continued)

Management of Resources Utilization

In order to comply with the regulations and policies, and corporate culture on saving resources, we constantly remind our staff that resources are precious and we shall save resources and avoid wastage. We implement several measures to encourage staff to build a habit of saving and make the best use of resources.

1. **Management of electricity utilization**

   We emphasize the saving of electricity by promoting the use of energy-efficient lighting. Lights shall be turned off whenever there is enough daylight. Air conditioners shall be turned off after work, and the use of which will be limited according to seasonal and temperature changes. Doors and windows shall not be stayed open when air conditioners are turned on. Employees are required to check and ensure that their own or their department's electrical appliances and computers are switched off when they get off from work.

2. **Management of water utilization**

   We advocate water conservation. Each department has to check regularly its water facilities, pipes and taps to prevent wasting water. We also enhance our staff's awareness in water conservation. Once damaged pipes or valves or water leakage is found, the staff shall notify the maintenance department of the Group promptly for repair.

3. **Management of paper utilization**

   We advocate saving paper through centralized purchasing, minimizing photocopying and printing, duplex printing, use of the blank sides of unneeded single-sided copies for printing drafts, collection of waste papers for recycling, and encouraging transmissions of files in electronic form.

EMPLOYMENT AND LABOUR PRACTICES

We adopt a pragmatic, conscientious, united and progressive approach in striving to create a zero machine breakdown and no accident workplace. We are also committed to create a harmonious working environment and to build a comprehensive management mechanism. All employments are decided on the basis of fair competition and on merit. We educate our employees about ethical and business conduct requirements. We offer opportunities for our employees to pursue their career development and review their salary level periodically. When we formulate our human resources policies, we consider both our staff's needs and the need of compliance with relevant government laws and regulations.

Talents Selection

We are committed to protect human rights and personal data privacy, and prohibit discrimination. We offer equal opportunities to employees in terms of staff benefits, promotion, performance appraisal, training and personal development. No employee shall be discriminated against or deprived of any opportunities because of disability, age, sex, race, religion or nationality. We conduct comprehensive assessment with reference to employees' accomplishment, performance, attitude, character, knowledge, physical fitness and capability during their service period to ensure that the best talents are retained and to reward those who make contributions for the benefit of the Group. We create a fair and equal working environment with clear reward and punishment policies. Child and forced labour are strictly prohibited.

EMPLOYMENT AND LABOUR PRACTICES (continued)

Compensation and Welfare

We uphold the principle of harmony and adopt a win/win approach in managing employment relationship. Basic staff compensation includes fixed wages, bonuses, year-end awards and allowances, etc. We work five days, totally 40 working hours, a week. Overtime works are compensated. Staff with outstanding performance is awarded with prizes and/or cash bonuses. Staff in the Mainland China participates in social insurance and housing provident fund scheme in accordance with relevant rules and regulations. We provide in-patient medical coverage and free annual medical checkup to our employees. We also provide employees with safe, clean and comfortable accommodation, and uniforms. Employees are entitled to a two-day weekend, statutory holidays, and leaves including marriage leave, maternity leave, bereavement leave, annual leave, casual leave, sick leave and work-related injury leave in accordance with the national laws and regulations. We dismiss employees and compensate them in accordance with the national laws and regulations.

To meet the increasing need for recreation, the corporate culture department of the Group manages a multi-purpose recreation center with facilities such as badminton courts, billiard room, basketball court, fitness room and lounge. We organize table tennis and basketball competitions, Spring Festival party and Mid-Autumn Festival party. Besides, small gifts are given to female employees on International Women's Day. Such arrangements promote work-life-balance for staff and are good for team building.

Development and Training

We believe that professional, well-trained, and responsible employees are valuable assets to the Group and are important for steady business growth and success. We encourage effective use of time and talents of our employees. We also encourage our employees to pursue further education and training. In compliance with "Labour Law of the People's Republic of China" and for the purpose of improving workforce quality, we provide employees with comprehensive training to enhance their skills and capabilities so that they may grow together with the Group. All new hires have to participate in induction trainings and pass the assessment. Training topics include the introduction of corporate culture, business, welfare system, business ethics and conduct, and safety guidelines. We also provide employees with other professional and general training. In case of offsite training, we will provide the relevant training materials, transportation and accommodation. We also send employees to attend overseas training if the selected employees agree to enter into an overseas training agreement with us.

We organized the first "China Paint Training Course" in 2016 to enhance employees' creativity and team spirit through various activities. The course introduced our corporate culture, business operation and products in a systematic way. We also organized the first "China Paint College" training course for our senior management. Through interactive games and discussions, the dual purposes of team building and fostering healthy corporate culture were achieved.

EMPLOYMENT AND LABOUR PRACTICES (continued)

Health and Safety

We care about our employees' health and the safety of their working environment in order to prevent occupational hazards. To comply with the relevant national laws and regulations on safety production, we have established a sound safety management system. We aim at integrating the concept "protecting lives and properties with zero-accident" into the production process. Safety training is the first step in achieving a "zero-accident" working environment. Employees must join the "three-level safety training" which covers safety guidelines, protective measures and all kinds of practical training and pass in the assessment prior to the commencement of work. Production staff is required to attend safety training every year to keep abreast of safety knowledge at their job positions and enhance their ability to prevent accidents and handle emergency situations. Any latent safety threats must be reported to the safety and environmental protection department of the Group immediately for appropriate action. The engineering department of the Group is responsible for the repair and maintenance of production equipment and is required to perform safety checkup and provide status report to the management daily. If the production equipment does not function properly, repair work has to be conducted immediately to ensure safe production.

Pursuant to the requirements of the "Law of the People's Republic of China on Prevention and Control of Occupational Diseases", an occupational health management system which protects our workers' health, rights, and interests was established and constantly improved. We provide our workers with protective equipment that meets national standard, and supervise and educate them how to wear and use them. Stringent safety work and fire prevention guidelines are also established. Employees are required to perform medical checkup every year and to pass in the medical assessment as a prerequisite for continuous employment. We care about employee's health and occupational safety.

We provide various channels including conducting interviews and setting up of "Chairman's Mailbox" for our employees to express their views and feedbacks to the management, human resources department of the Group or trade union. Employees are not required to report duty when the disastrous weather warning signal is hoisted. We always put personal safety of employees first. All employees are required to observe the fire prevention and safety requirements for the purpose of protecting their lives and the company's properties.

During the reporting period, the Group did not involve in any non-compliance incidents relating to employment laws and regulations that have significant impact on the Group.

OPERATING PRACTICES

Supply Chain Management

We establish supply chain management system with strict requirements. We provide various channels to employees, suppliers, clients and other business parties for reporting suspected impropriety, misconduct and malpractice. During the reporting period, the Group has not received any report of serious violations in this respect.

We always aim at providing high quality products to customers, and are convinced that the stringent standards in purchase of raw materials are the key to maintaining product quality. We have adopted strict procurement management and evaluation systems for both new and existing suppliers. Assessment of our existing suppliers is conducted annually. There is a segregation of duties for the signing of contracts with suppliers, inspection of raw materials and monitoring. Our suppliers are required to provide recognized certifications, adopt good internal management system, make on-time delivery, comply with relevant laws and regulation, adopt professional skills, and provide products with high and stable quality.

The Group has been cooperating actively with world-renowned enterprises for years in areas such as conducting joint research and development on raw materials, the improvement of production technology, product testing and technical personnel training.

We will continue to review the existing supply chain management process to ensure efficiency in the selection of raw materials, delivery, logistics, paint production and waste treatment, effective monitoring of product quality, compliance with business ethics and product standards which aimed at protecting customers' health and compliance with ESG requirements.

Product Responsibility

To realize our philosophy of "quality, consumer and environmental protection first", we put a lot of resources in technological research and development. We purchased advanced testing equipment, hired and trained professional technical personnel, and signed technological cooperation agreements and product development agreements with world-renowned enterprises in the coatings and chemical industry. To produce high quality and safe products, we aim at meeting consumer needs, achieving efficient production and quality control requirements and compliance with relevant product standards.

Our Shenzhen plant has adopted the ISO 9001:2008 quality management system and IECQ QC 080000:2012 hazardous substances process management system. It has also obtained the ISO 17025:2005 laboratory accreditation certificate. We have met the international standards in the processes of selection of raw materials, production and product testing. Over the years, our products have obtained a number of honors. These reflect our determination in providing our customers with the best service and high quality products.

"Green and environmental protection" is the common concern in the 21st century. With the rapid economic development, environmental problems have become more severe. As a responsible enterprise in the paint industry, we will focus more on the production of water-based and high-solid low-VOC products. We intend to form long-term strategic partnership with international enterprises in developing water-borne wood paints and water-based UV coatings as a response to consumers' increasing concern on environmental protection and our determination and dedication to save the environment.

During the reporting period, there is no non-compliance incidents relating to our products which has significant impact on the Group.

OPERATING PRACTICES (continued)

Anti-corruption

We require our people to be honest, to conduct business with high integrity and to strictly follow our requirement in business ethics and have good corporate governance. Before employees are on board, they are required to attend training in business ethics. Employees who are in breach of company's code of conduct are disciplined or dismissed. Monitoring of discipline is required in every aspect of our business. There are arrangements that people can use, in confidence, to raise concerns about possible improprieties which are in breach of the law, regulatory requirements, or rules, policies and regulations of the Group. These may include the use of one's position for personal gains, briberies, blackmailing, fraud and money laundering. We have established whistle-blowing channel like "Chairman's Mailbox" for this purpose and will optimize the reporting arrangements. We are dedicated to anti-corruption and are willing to contribute to the building of an honest and upright society.

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

COMMUNITY INVESTMENT

We advocate accountability in our corporate culture. Everyone is accountable to oneself, one's family, one's employer, and the society. Therefore, we contribute actively to the society with a desire to build a sustainable and harmonious society. We helped people in need. We provided subsidies to students in poverty for continuing their education and took care of employees who suffered from severe illness or were in financial difficulties by providing condolence, donations and subsidies.

Ever since our establishment, we are a responsible taxpayer and offer job opportunities to local people. We assisted our employees to prepare for their retirement by payment of the "five insurances and housing provident fund" for staff in Mainland China and mandatory provident fund for staff in Hong Kong. Being a leader in the paint industry, we actively promote environmental friendly concepts, set up as a role model and contribute to social stability.

AWARDS AND HONOURS

We have obtained the following major awards and certifications in 2016:

Hong Kong

- Various products of *"Flower (菊花牌)"* and *"Golden Flower (金菊花牌)"* of China Paint (1932) were awarded as "*Hong Kong Green Labels*".
- *"Flower (菊花牌)"* of China Paint (1932) was awarded as *"Hong Kong Top Brand"*.

Mainland China

- China Paint (Shenzhen), China Paint (Xinfeng), Hubei Giraffe and Xuzhou Giraffe were awarded *"ISO 9001: 2008 Quality Management System Certificates"*.
- China Paint (Shenzhen), China Paint (Xinfeng), Hubei Giraffe and Xuzhou Giraffe were awarded *"ISO 14001:2004 Environmental Management System Certificates"*.
- Various products of China Paint (Shenzhen), China Paint (Xinfeng) and Hubei Giraffe were awarded *"Certificates for China Compulsory Product Certifications (中國國家強制性產品認證證書)"*.
- China Paint (Shenzhen) was awarded *"Occupational Health and Safety Management System Certificate"*.
- China Paint (Shenzhen) was awarded *"IECQ QC 080000:2012 Hazardous Substance Process Management Certificate"*.
- China Paint (Shenzhen) was awarded *"ISO 17025:2005 Laboratory Accreditation Certification"*.
- China Paint (Shenzhen) was awarded *"Certificates for China Environmental Labelling Production Certification (中國環境標誌產品認證證書)"*.
- *"Giraffe (長頸鹿牌)"* of China Paint (Shenzhen) was awarded as the *"Guangdong Province Top Brand Product (廣東省名牌產品)"*.
- China Paint (Shenzhen) was awarded as *"The Most Innovative Brand in China (中國最具創新力品牌)"*.
- China Paint (Shenzhen) was awarded as *"Top 100 Guangdong Brand (廣東名牌100強)"*.
- China Paint (Shenzhen) was awarded the *"Award for Special Contribution to the Development of China Water-based Wood Coatings Industry (中國水性木器塗料發展特別貢獻獎)"*.
- China Paint (Shenzhen) was awarded *"Corporate Development Potential Award in China Coatings Industry 2016 (2016中國塗料行業發展潛力企業獎)"*.
- China Paint (Shenzhen) was awarded *"Top 10 Competitive in Industrial Coatings Industry (建築塗料•競爭力10強)"*.
- "*Giraffe* (*長頸鹿牌*)" of China Paint (Shenzhen) was awarded *"Top Brand in China Wood Coatings Industry Award 2016 (2016中國木器塗料名牌獎)"*.
- "*Flower* (*菊花牌*)" of China Paint (Shenzhen) was awarded *"Top Brand in China Decorative Coatings Industry 2016 (2016中國藝術塗料名牌獎)"*.
- "*Toy* (*玩具牌*)" of China Paint (Shenzhen) was awarded *"Top Brand in China Anticorrosive Coatings Industry 2016 (2016中國防腐塗料名牌獎)"*.

SUSTAINABILITY TARGETS AND ACTION PLANS FOR 2017

The following is an outline of our targets and action plans for 2017:

Target/Action Plan	Focus
ESG steering committee with different focus groups to optimize existing ESG policies and procedures	• To review existing procedures, the completeness and accuracy of ESG data collection • To setup key performance indicators (KPIs) for environmental protection • To keep dialogue with our stakeholders (including investors/shareholders, suppliers, customers and society) in order to collect their concern, and analyze those issues thoroughly
To update policies and procedures on human resources, health and safety, staff development and training, environmental protection, etc.	• To enhance the best practices in ESG reporting • To resolve relevant strategic opportunities and risks • To improve management efficiency and relationship with employees
To organize training in relation to environmental protection to employees	• To enhance employees' awareness on environmental protection
To increase targets of investment in the community	• To offer helping hands to people in need

The Directors present their report and the audited financial statements of the Group for the year ended 31 December 2016.

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 14 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 2016 and the state of affairs of the Group at that date are set out in the financial statements on pages 49 to 143.

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 21 June 2017 to the Shareholders whose names appear on the Company's register of members on 8 June 2017.

MAJOR SUPPLIERS AND CUSTOMERS

In the year under review, purchases from the Group's five largest suppliers accounted for approximately 42% of the total purchases for the year and purchases from the largest supplier included therein amounted to 21%. 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				
	2016	2015	2014	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
Revenue	**1,164,549**	1,102,813	1,473,181	1,452,616	1,315,597
Operating profit	**109,390**	118,835	182,527	180,576	92,268
Share of profits and losses of associates	**2,263**	(3,954)	1,049	7,188	1,508
Profit before tax	**111,653**	114,881	183,576	187,764	93,776
Income tax expenses	**(23,969)**	(29,095)	(33,539)	(24,442)	(33,935)
Profit for the year	**87,684**	85,786	150,037	163,322	59,841
ATTRIBUTABLE TO:					
Owners of the parent	**87,666**	86,354	149,192	163,302	59,885
Non-controlling interests	**18**	(568)	845	20	(44)
	87,684	85,786	150,037	163,322	59,841
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
Total assets	**2,083,422**	2,020,613	1,971,573	1,769,942	1,494,107
Total liabilities	**(602,168)**	(550,733)	(627,738)	(610,283)	(535,167)
Non-controlling interests	**(3,618)**	(3,843)	(4,596)	(3,867)	(3,704)
	1,477,636	1,466,037	1,339,239	1,155,792	955,236

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 page 144 to 145.

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 146.

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 Company's 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 2016, calculated under the Companies Act, amount to HK$306,283,000. 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$81,000.

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 *(resigned on 12 April 2016)*
Hung Ting Ho, Richard *(appointed on 4 July 2016)*

Independent Non-executive Directors

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

In accordance with the Bye-laws, Mr. Tsui Ho Chuen, Philip, having held office for three years since his last re-election, will offer himself for re-election at the forthcoming AGM. Mr. Chan Wa Shek, Mr. Hung Ting Ho, Richard, Sir David Akers-Jones and Dr. Steven Chow 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	75	Chairman	44	More than 44 years' experience in the paint industry
Tsui Ho Chuen, Philip	53	Executive Deputy Chairman and Managing Director	32	Qualified solicitor
Chong Chi Kwan	49	Finance Director	11	More than 25 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	86	Non-executive Director	10	Former Commissioner of Correctional Services of Hong Kong
Zhang Yulin	53	Non-executive Director	10	More than 20 years' experience in finance and management
Hung Ting Ho, Richard	63	Non-executive Director	12	More than 38 years' experience in business and financial management
Independent Non-executive Directors				
Sir David Akers-Jones GBM, KBE, CMG, JP	90	Deputy Chairman and Independent Non-executive Director	26	Former Chief Secretary specialising in land planning and housing development
Danny T Wong	71	Independent Non-executive Director	13	More than 42 years' experience in finance, accounting and management
Steven Chow	72	Independent Non-executive Director	10	More than 40 years' experience in finance and management
Zhang Xiaojing	62	Independent Non-executive Director	4	More than 34 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. Hung Ting Ho, Richard was a non-executive Director from 29 June 2002 to 5 June 2013 and has been appointed as a non-executive Director since 4 July 2016. He is the chairman and an executive director of Midas International Holdings Limited, which is a 60.82% owned subsidiary of Chuang's Consortium International Limited, being a substantial Shareholder. He is also an executive director of Chuang's Consortium International Limited. Both Midas International Holdings Limited and Chuang's Consortium International Limited are companies listed on the Stock Exchange.

CHANGE IN DIRECTORS' INFORMATION

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

(1) Mr. Hung Ting Ho, Richard was appointed as an executive director of Chuang's Consortium International Limited, a company listed on the Stock Exchange, with effect from 9 September 2016.

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

DIRECTORS' INTERESTS IN SIGNIFICANT TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

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

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

Mr. Hung Ting Ho, Richard, a non-executive Director, holds directorships in Midas International Holdings Limited and Chuang's Consortium International Limited, both are companies listed on the Stock Exchange, and certain private companies (the "Private Companies"). Midas International Holdings Limited, Chuang's Consortium International Limited and the Private Companies engage in the businesses of property development and investment in Hong Kong and the PRC. As the above-mentioned businesses are managed by separate companies with independent management and the properties owned by Midas International Holdings Limited, 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 2016, 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 2016, none of the Directors or chief executives of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or pursuant to the Model Code, or which were recorded in the register required to be kept by the Company under Section 352 of the SFO. Nor any of the Directors and the chief executives of the Company had any interest in, or had been granted any right to subscribe for the securities of the Company and its associated corporations (within the meaning of Part XV of the SFO) or had exercised any such right during the year under review.

SHARE OPTIONS

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

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

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

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

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

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

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

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

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31 December 2016, 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	342,743,655	–	18.00%
Chuang's China Investments Limited	3	Interest of controlled corporation	342,743,655	–	18.00%
Profit Stability Investments Limited	3	Interest of controlled corporations	342,743,655	–	18.00%
Chuang's Consortium International Limited	3	Interest of controlled corporations	342,743,655	–	18.00%
Evergain Holdings Limited	3	Interest of controlled corporations	342,743,655	–	18.00%
Chong Shaw Swee, Alan	3	Interest of controlled corporations	342,743,655	–	18.00%
Chong Ho Pik Yu	3	Interest of spouse	342,743,655	–	18.00%
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 342,743,655 Shares relate to the same block of 342,743,655 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 57.53% 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 43.68% 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 342,743,655 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 2016 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.

AUDITOR

Ernst & Young retires and a resolution for its reappointment as auditor of the Company will be proposed at the forthcoming AGM.

On behalf of the Board

Lam Ting Ball, Paul
Chairman
30 March 2017

EY 安永

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

OPINION

We have audited the consolidated financial statements of CNT Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 49 to 143, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

Key Audit Matter	How our audit addressed the Key Audit Matter
Estimation of fair value of investment properties	
As at 31 December 2016, investment properties measured at fair values amounted to approximately HK$644.3 million, with a corresponding net fair value gain of HK$20.0 million recognised in profit or loss. The valuation process is inherently subjective and dependent on a number of estimates. The Group has engaged an independent professional valuer to perform the valuation of the investment properties. Disclosures in relation to the investment properties are included in notes 3 and 14 to the financial statements.	As part of our audit procedures, we have considered the objectivity, independence and competency of the valuer. We have assessed the valuation methodology adopted and the assumptions used by the valuer, and performed market value benchmarking against comparable properties. Our internal valuation experts were also involved to assist in evaluating the methodology adopted and the assumptions used by the valuer for valuation of investment properties held by the Group.
Impairment of trade and bills receivables	
As at 31 December 2016, the Group recorded trade and bills receivables of HK$525.5 million before provision for impairment of HK$28.3 million. The determination as to whether a receivable is recoverable involved management's judgement, such as their assessment of the financial condition and creditworthiness of each debtor. Disclosures in relation to trade and bills receivables, are included in notes 3 and 22 to the financial statements.	Our audit procedures included assessing and testing the Group's processes and controls in relation to the monitoring of receivables and the granting of credit terms. We have also checked the correctness of ageing analysis prepared by the management, obtained direct confirmations from a sample of debtors and evaluated the financial position of customers with significant overdue balances. Furthermore, we have evaluated the adequacy of the impairment provision made by the management as at the end of the reporting period, with reference to the repayment history, subsequent settlement and the existence of any disputes.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Yen Kai Shun, Catherine.

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

30 March 2017

Consolidated Statement of Profit or Loss

Year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
REVENUE	5	**1,164,549**	1,102,813
Cost of sales		**(776,422)**	(749,741)
Gross profit		**388,127**	353,072
Other income and gains, net	5	**14,217**	22,886
Selling and distribution expenses		**(147,969)**	(142,200)
Administrative expenses		**(137,530)**	(121,935)
Other expenses, net		**(24,987)**	(19,438)
Fair value gains on investment properties, net	14	**20,042**	30,131
Finance costs	7	**(2,510)**	(3,681)
Share of profits and losses of associates		**2,263**	(3,954)
PROFIT BEFORE TAX	6	**111,653**	114,881
Income tax expenses	10	**(23,969)**	(29,095)
PROFIT FOR THE YEAR		**87,684**	85,786
ATTRIBUTABLE TO:			
Owners of the parent		**87,666**	86,354
Non-controlling interests		**18**	(568)
		87,684	85,786
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
Basic		**HK4.61 cents**	HK4.55 cents
Diluted		**HK4.61 cents**	HK4.54 cents

Consolidated Statement of Comprehensive Income

Year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
PROFIT FOR THE YEAR		**87,684**	85,786
OTHER COMPREHENSIVE INCOME			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(57,712)**	(40,116)
Share of other comprehensive income of an associate		**100**	122
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods		**(57,612)**	(39,994)
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods:			
Remeasurement of net pension scheme assets	20	**339**	(489)
Gains on properties revaluation	13	**–**	96,863
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		**339**	96,374
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**(57,273)**	56,380
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**30,411**	142,166
ATTRIBUTABLE TO:			
Owners of the parent		**30,636**	142,919
Non-controlling interests		**(225)**	(753)
		30,411	142,166

Consolidated Statement of Financial Position

31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**265,785**	275,956
Investment properties	14	**644,323**	569,937
Properties under development	15	**28,000**	28,000
Prepaid land lease payments	16	**18,389**	20,181
Interests in associates	17	**11,851**	11,076
Available-for-sale investments	18	**96,083**	96,083
Deposits for purchases of properties, and plant and equipment	19	**8,662**	32,477
Net pension scheme assets	20	**2,372**	2,178
Deferred tax assets	31	**7,731**	7,985
Total non-current assets		**1,083,196**	1,043,873
CURRENT ASSETS			
Inventories	21	**79,466**	62,464
Trade and bills receivables	22	**497,235**	354,360
Prepayments, deposits and other receivables	23	**56,214**	47,184
Structured deposits	24	**98,666**	160,549
Pledged deposits	25	**2,268**	3,179
Restricted cash	25	**–**	71,610
Cash and cash equivalents	25	**266,377**	277,394
Total current assets		**1,000,226**	976,740
CURRENT LIABILITIES			
Trade and bills payables	26	**214,208**	128,656
Other payables and accruals	27	**154,042**	145,164
Derivative financial instrument	28	**–**	10
Due to an associate	17	**2,800**	2,800
Interest-bearing bank and other borrowings	29	**154,324**	189,211
Tax payable		**17,313**	19,534
Total current liabilities		**542,687**	485,375
NET CURRENT ASSETS		**457,539**	491,365
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,540,735**	1,535,238

Consolidated Statement of Financial Position

31 December 2016

	Notes	**2016** **HK$'000**	2015 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,540,735**	1,535,238
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	29	**11,594**	16,139
Deferred tax liabilities	31	**45,541**	46,406
Deferred income	32	**2,346**	2,813
Total non-current liabilities		**59,481**	65,358
Net assets		**1,481,254**	1,469,880
EQUITY			
Equity attributable to owners of the parent			
Issued capital	33	**190,369**	190,369
Reserves	35	**1,287,267**	1,275,668
		1,477,636	1,466,037
Non-controlling interests		**3,618**	3,843
Total equity		**1,481,254**	1,469,880

Lam Ting Ball, Paul
Director

Tsui Ho Chuen, Philip
Director

	Notes	Attributable to owners of the parent												
		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
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		–	–	–	(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

Consolidated Statement of Changes in Equity

Year ended 31 December 2016

		Attributable to owners of the parent											
	Notes	Issued share capital HK$'000 (note 33)	Share premium account HK$'000	Contributed surplus HK$'000	Leasehold land and building revaluation reserve HK$'000	Investment property revaluation reserve* HK$'000	General reserve HK$'000	Exchange fluctuation reserve HK$'000	Reserve funds** HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2016		190,369	88,970	284,962	249,069	13,557	10,144	9,636	30,751	588,579	1,466,037	3,843	1,469,880
Profit for the year		-	-	-	-	-	-	-	-	87,666	87,666	18	87,684
Other comprehensive income/(loss) for the year:													
Remeasurement of net pension scheme assets	20	-	-	-	-	-	-	-	-	339	339	-	339
Share of other comprehensive income of an associate		-	-	-	-	-	-	29	71	-	100	-	100
Exchange differences on translation of foreign operations		-	-	-	-	-	-	(57,469)	-	-	(57,469)	(243)	(57,712)
Total comprehensive income for the year		-	-	-	-	-	-	(57,440)	71	88,005	30,636	(225)	30,411
Final 2015 dividend declared and paid	11	-	-	(19,037)	-	-	-	-	-	-	(19,037)	-	(19,037)
At 31 December 2016		190,369	88,970#	265,925#	249,069#	13,557#	10,144#	(47,804)#	30,822#	676,584#	1,477,636	3,618	1,481,254

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

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

\# These reserve accounts comprise the consolidated reserves of HK$1,287,267,000 (2015: HK$1,275,668,000) in the consolidated statement of financial position.

Year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**111,653**	114,881
Adjustments for:			
Finance costs	7	**2,510**	3,681
Share of profits and losses of associates		**(2,263)**	3,954
Bank interest income	5	**(2,672)**	(5,675)
Depreciation	6	**20,764**	20,749
Amortisation of prepaid land lease payments	6	**524**	552
Recognition of deferred income	5	**(301)**	(317)
Loss/(gain) on disposal of items of property, plant and equipment, net	6	**142**	(53)
Write-off of items of property, plant and equipment	6	**609**	155
Fair value gains on investment properties, net	14	**(20,042)**	(30,131)
Fair value gains:			
Structured deposits	5	**(3,291)**	(5,034)
Derivative instrument – transaction not qualifying as hedge	5	**(10)**	(6)
Dividend income from an available-for-sale investment	5	**(240)**	–
Write-back of inventories to net realisable value	6	**(5,731)**	(2,074)
Provision for impairment of trade receivables	6	**11,694**	5,465
Net pension benefit expenses	20	**145**	186
		113,491	106,333
Decrease/(increase) in inventories		**(15,113)**	10,913
Decrease/(increase) in trade and bills receivables		**(174,912)**	66,585
Increase in prepayments, deposits and other receivables		**(11,553)**	(4,225)
Increase/(decrease) in trade and bills payables		**93,678**	(64,412)
Increase/(decrease) in other payables and accruals		**15,857**	(16,787)
Exchange realignment		**4,933**	213
Cash generated from operations		**26,381**	98,620
Interest paid		**(2,504)**	(3,681)
Interest element of finance lease rental payments		**(47)**	(6)
Overseas taxes paid		**(26,279)**	(18,725)
Hong Kong profits tax paid		**(102)**	(914)
Net cash flows from/(used in) operating activities		**(2,551)**	75,294

Consolidated Statement of Cash Flows

Year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(22,064)**	(27,411)
Proceeds from disposal of items of property, plant and equipment		**512**	234
Additions to investment properties	14	**(557)**	(898)
Investments in structured deposits		**(231,709)**	(412,683)
Proceeds from structured deposits		**289,717**	453,181
Interest received		**2,664**	5,675
Dividend received from an associate		**1,588**	3,008
Dividend received from an available-for-sale investment		**240**	–
Deposits paid for purchases of properties, and plant and equipment	19	**(41,873)**	(26,362)
Increase in pledged time deposits with original maturity of less than three months when acquired		**(961)**	–
Decrease in time deposits with original maturity of more than three months when acquired		**80,262**	33,673
Net cash flows from investing activities		**77,819**	28,417
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share options exercised	33	**–**	6,723
New bank loans		**172,737**	315,159
Repayment of bank loans		**(213,874)**	(304,171)
Dividend paid		**(19,037)**	(22,844)
Advance from an associate		**–**	250
Capital element of finance lease rental payments		**(192)**	(201)
Net cash flows used in financing activities		**(60,366)**	(5,084)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**14,902**	98,627
Cash and cash equivalents at beginning of year		**270,614**	184,964
Effect of foreign exchange rate changes, net		**(19,139)**	(12,977)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**266,377**	270,614

	Notes	2016 HK$'000	2015 HK$'000
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	25	**149,034**	163,388
Non-pledged/non-restricted time deposits	25	**117,343**	114,006
Cash and cash equivalents as stated in the consolidated statement of financial position		**266,377**	277,394
Pledged time deposits with original maturity of less than three months when acquired		**–**	3,179
Restricted time deposits with original maturity of less than three months when acquired		**–**	11,935
Non-pledged time deposits with original maturity of more than three months when acquired		**–**	(21,894)
Cash and cash equivalents as stated in the consolidated statement of cash flows		**266,377**	270,614

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 (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		Principal activities
			Direct	Indirect	
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
China Utilities Limited*	British Virgin Islands ("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
CNT Enterprises Limited*	BVI	US$1	100	–	Investment holding
CNT Finance Company Limited	Hong Kong	HK$2	–	100	Fund management
CNT Investments (BVI) Limited*	BVI	US$159,705	100	–	Investment holding
CNT Iron And Steel Limited*	BVI	US$1,566,804	100	–	Investment holding
CNT Iron And Steel Trading Company Limited	Hong Kong	HK$2	–	100	Trading of iron and steel products
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 Property Limited (formerly known as China Paint Property Limited)	Hong Kong	HK$100,000	–	100	Property investment
CNT Resene Limited	Hong Kong	HK$2	–	100	Manufacture and sale of paint products and investment holding
CNT Resene (Distribution) Limited	Hong Kong	HK$1	–	100	Sale of paint products
CNT (BVI) Limited* (formerly known as CPM Industries (BVI) Limited)	BVI	US$1	100	–	Investment holding
Conley Investment Limited	Hong Kong	HK$2	–	100	Property investment
CP Industries (BVI) Limited* (formerly known as CNT Industries (BVI) Limited)	BVI	US$1,635,512	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
CPM Group Limited*	Cayman Islands	HK$0.1	–	100	Investment holding
Dongola Holdings Limited*	BVI	US$1	–	100	Investment holding
Fan Ball Development Limited	Hong Kong	HK$10,000	–	100	Property investment and investment holding
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
Profit Source Limited	Hong Kong	HK$2	–	100	Securities investment and investment holding
Rainbow Path Enterprises Limited	Hong Kong	HK$1,000	–	100	Investment holding
Rich Union Properties Limited	Hong Kong	HK$2	–	100	Investment holding
R, J & Thomas Secretaries Limited	Hong Kong	HK$30,000	–	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
Tatpo Corporation Limited*	Liberia	US$20,872	100	–	Investment holding
Venture Decade Limited*	BVI	US$1	–	100	Investment holding
廣州市維美雲石有限公司#*	PRC/ Mainland China	HK$50,975,000	–	100	Property investment
海諾威特種塗料(新豐)有限公司#*	PRC/ Mainland China	RMB5,000,000	–	100	Property investment
北海鋼鐵(深圳)有限公司#*	PRC/ Mainland China	RMB10,000,000	–	100	Trading of iron and steel products
深圳北海裕聯投資咨詢有限公司#*	PRC/ Mainland China	RMB6,000,000	–	100	Investment holding

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

Wholly-foreign-owned enterprises registered under PRC law

Sino-foreign equity joint venture registered under PRC law

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

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, certain land and buildings classified as property, plant and equipment, structured deposits, a derivative financial instrument and net pension scheme assets, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand ("HK$'000") except when otherwise indicated.

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2016. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
HKFRS 14	*Regulatory Deferral Accounts*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*
Annual Improvements 2012–2014 Cycle	Amendments to a number of HKFRSs

Except for the amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011), amendments to HKFRS 11, HKFRS 14, amendments to HKAS 16 and HKAS 41, amendments to HKAS 27 (2011), and certain amendments included in the *Annual Improvements 2012–2014 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the amendments are described below:

(a) 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 amendments have had no significant impact on the Group's financial statements.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(b) 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 a 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 applied prospectively. The amendments have had no impact on the financial position or performance of the Group as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

(c) *Annual Improvements to HKFRSs 2012–2014 Cycle* issued in October 2014 sets out amendments to a number of HKFRSs. Details of the amendments are as follows:

- HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*: Clarifies that changes to a plan of sale or a plan of distribution to owners should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. Accordingly, there is no change in the application of the requirements in HKFRS 5. The amendments also clarify that changing the disposal method does not change the date of classification of the non-current assets or disposal group held for sale. The amendments are applied prospectively. The amendments have had no impact on the Group as the Group did not have any change in the plan of sale or disposal method in respect of the disposal group held for sale during the year.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[2]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[2]
HKFRS 9	*Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[2]
HKFRS 16	*Leases*[3]
Amendments to HKAS 7	*Disclosure Initiative*[1]
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]
Annual Improvements 2014–2016	Amendments to HKFRS 12 *Disclosure of Interests in Other Entities*[1]
Annual Improvements 2014–2016	Amendments to a number of HKFRSs[2]

[1] Effective for annual periods beginning on or after 1 January 2017
[2] Effective for annual periods beginning on or after 1 January 2018
[3] Effective for annual periods beginning on or after 1 January 2019
[4] No mandatory effective date yet determined but available for adoption

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

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

The HKICPA issued amendments to HKFRS 2 in August 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet the employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The Group expects to adopt the amendments from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group 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 June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group 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)

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease,* HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.* The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. The Group expects to adopt HKFRS 16 on 1 January 2019 and is currently assessing the impact of HKFRS 16 upon adoption.

Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments will result in additional disclosure to be provided in the financial statements. The Group expects to adopt the amendments from 1 January 2017.

Amendments to HKAS 12 were issued with the purpose of addressing the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value, although they also have a broader application for other situations. The amendments clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The Group expects to adopt the amendments from 1 January 2017.

Annual improvement 2014–2016 issued in March 2017 sets out amendments to HKFRS 12 *Disclosure of Interest in Other entities* and a number of HKFRSs. Details of the applicable amendments are as follows:

Amendments to HKFRS 12 *Disclosure of Interest in Other entities* clarify the scope of the standard by specifying that certain disclosure requirements is not required for subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture of an associate) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discountinued Operations*.

Amendments to HKAS 28 *Investments in Associates and Joint Ventures* clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates

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

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

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

Fair value measurement

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

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

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

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

Impairment of non-financial assets

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

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

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

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

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

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

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

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

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

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

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

The transitional provisions set out in paragraph 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.

Leases

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

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

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

Investments and other financial assets

Initial recognition and measurement

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

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

Subsequent measurement

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement (continued)

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

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

Loans and receivables

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

Available-for-sale financial investments

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement (continued)

Available-for-sale financial investments (continued)

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

Derecognition of financial assets

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

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

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

Assets carried at cost

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Available-for-sale financial investments

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

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

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

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

Financial liabilities

Initial recognition and measurement

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

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

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

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

Deferred tax assets and deferred tax liabilities are offset if 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.

Revenue recognition

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other employee benefits

Pension schemes and other retirement benefits

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

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

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

- the date of the scheme amendment or curtailment; and

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

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

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

- net interest expense or income.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

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

Dividends

Final dividend is recognised as a liability when the dividend is 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.

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

The carrying amount of investment properties at 31 December 2016 was HK$644,323,000 (2015: HK$569,937,000). 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 2016 was HK$96,083,000 (2015: HK$96,083,000), net of impairment of HK$138,783,000 (2015: HK$138,783,000).

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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

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 follow:

(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, the provision of advertising services and investment holding.

The chief operating decision maker regularly reviews the operating results of the Group's operating segments separately for the purpose of resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit before tax except that interest income, fair value gains on structured 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 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 2016	Paint products HK$'000	Property investment HK$'000	Iron and steel trading HK$'000	Others HK$'000	Total HK$'000
Segment revenue:					
Sales to external customers	937,450	33,798	193,301	–	1,164,549
Intersegment sales	–	6,041	–	3,370	9,411
Other revenue and gains	7,219	20,089	676	312	28,296
	944,669	59,928	193,977	3,682	1,202,256
Reconciliation:					
Elimination of intersegment sales					(9,411)
Total					1,192,845
Segment results	69,709	46,391	4,376	79	120,555
Reconciliation:					
Elimination of intersegment results					(213)
Interest income					2,672
Fair value gains on structured deposits					3,291
Finance costs					(2,510)
Corporate and other unallocated expenses					(12,142)
Profit before tax					111,653
Segment assets	766,562	759,392	84,499	96,041	1,706,494
Reconciliation:					
Elimination of intersegment receivables					(952)
Corporate and other unallocated assets					377,880
Total assets					2,083,422
Segment liabilities	341,779	8,211	19,836	228	370,054
Reconciliation:					
Elimination of intersegment payables					(952)
Corporate and other unallocated liabilities					233,066
Total liabilities					602,168

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2016	Paint products HK$'000	Property investment HK$'000	Iron and steel trading HK$'000	Others HK$'000	Total HK$'000
Other segment information:					
Share of profits of associates	–	(1,590)	(673)	–	(2,263)
Interests in associates	–	960	10,891	–	11,851
Depreciation	18,174	2,468	17	3	20,662
Corporate and other unallocated depreciation					102
					20,764
Capital expenditure	26,081	40,257	66	–	66,404*
Fair value gains on investment properties	–	(20,042)	–	–	(20,042)
Provision for impairment of trade receivables	11,694	–	–	–	11,694
Write-back of inventories to net realisable value	(5,731)	–	–	–	(5,731)

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
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 depreciation					99
					20,749
Capital expenditure	28,397	25,912	5	–	54,314
Corporate and other unallocated capital expenditure					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)

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

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	2016 HK$'000	2015 HK$'000
Hong Kong	111,176	82,443
Mainland China	1,053,373	1,020,318
Other countries	–	52
	1,164,549	1,102,813

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

(b) Non-current assets

	2016 HK$'000	2015 HK$'000
Hong Kong	605,872	589,820
Mainland China	371,138	347,807
	977,010	937,627

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

Information about a major customer

During the years ended 31 December 2016 and 2015, no revenue from any single customer accounted for 10% or more of the total revenue of the Group.

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:

	Notes	2016 HK$'000	2015 HK$'000
Revenue			
Sale of paint products and related services		**937,450**	867,997
Sale of iron and steel products		**193,301**	212,275
Gross rental income from investment properties		**33,798**	22,541
		1,164,549	1,102,813
Other income			
Bank interest income		**2,672**	5,675
Dividend income from an available-for-sale investment		**240**	–
Government grants*		**4,641**	4,840
Commission income		**210**	171
Recognition of deferred income	32	**301**	317
Others		**2,852**	5,895
		10,916	16,898
Gains, net			
Fair value gains:			
Structured deposits		**3,291**	5,034
Derivative instrument – transaction not qualifying as hedge	28	**10**	6
Gain on disposal of items of property, plant and equipment, net		**–**	53
Recovery of amounts due from an associate previously written off		**–**	895
		3,301	5,988
Total other income and gains, net		**14,217**	22,886

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

6. PROFIT BEFORE TAX

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

	Notes	2016 HK$'000	2015 HK$'000
Cost of inventories sold		**776,422**	749,741
Depreciation	13	**20,764**	20,749
Amortisation of prepaid land lease payments	16	**524**	552
Minimum lease payments under operating leases in respect of land and buildings		**5,996**	5,792
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties		**2,339**	2,240
Auditors' remuneration:			
Audit related services		**6,682^**	2,984
Other services		**592**	261
		7,274	3,245
Employee benefit expense (excluding directors' remuneration (note 8)):			
Wages, salaries, bonuses, allowances and welfare		**163,988**	154,236
Pension scheme contributions (defined contribution schemes)#		**15,089**	15,942
Net pension benefit expenses recognised (defined benefit schemes)	20	**145**	186
		179,222	170,364
Foreign exchange differences, net*		**613**	3,206
Write-back of inventories to net realisable value		**(5,731)**	(2,074)
Provision for impairment of trade receivables*	22	**11,694**	5,465
Loss/(gain) on disposal of items of property, plant and equipment, net*		**142**	(53)
Write-off of items of property, plant and equipment*	13	**609**	155

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

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

At 31 December 2016 and 2015, 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:

	2016 HK$'000	2015 HK$'000
Interest on bank loans	**2,463**	3,675
Interest on finance leases	**47**	6
	2,510	3,681

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:

	2016 HK$'000	2015 HK$'000
Fees:		
Executive directors	**2,100**	2,100
Non-executive directors	**277**	300
Independent non-executive directors	**600**	600
	2,977	3,000
Other emoluments:		
Salaries, allowances and benefits in kind	**8,878**	8,700
Discretionary bonuses	**1,105**	1,030
Pension scheme contributions	**386**	386
Consultancy fee	**444**	444
	10,813	10,560
	13,790	13,560

8. DIRECTORS' REMUNERATION (continued)

(a) Independent non-executive directors

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

	2016 HK$'000	2015 HK$'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 (2015: Nil).

(b) Executive directors and non-executive directors

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

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
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 (resigned on 12 April 2016)	100	–	–	–	–	100
	300	–	–	–	444	744
	2,400	8,700	1,030	386	444	12,960

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2015: 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 (2015: two), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of three (2015: three) non-director and highest paid employees for the year are as follows:

	2016	2015
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**7,479**	7,452
Discretionary bonuses	**1,393**	1,416
Pension scheme contributions	**124**	121
	8,996	8,989

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

	Number of employees	
	2016	2015
HK$2,000,001 to HK$2,500,000	**1**	1
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% (2015: 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% (2015: 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% (2015: 15%) had been applied during the year.

	2016 **HK$'000**	2015 HK$'000
Current – Hong Kong		
Charge for the year	**4,250**	4,170
Overprovision in prior years	**(60)**	(20)
Current – Elsewhere		
Charge for the year	**20,506**	18,255
Underprovision in prior years	**3**	37
Deferred (note 31)	**(730)**	6,653
Total tax charge for the year	**23,969**	29,095

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:

	2016		2015	
	HK$'000	%	HK$'000	%
Profit before tax	111,653		114,881	
Tax at the statutory tax rate	18,423	16.5	18,955	16.5
Different tax rates for specific provinces in the PRC, net	(2,024)	(1.8)	(2,004)	(1.7)
Adjustments in respect of current tax of previous periods	(57)	–	17	–
Profits and loss attributable to associates	(373)	(0.3)	652	0.6
Income not subject to tax	(3,578)	(3.2)	(6,301)	(5.5)
Expenses not deductible for tax	8,559	7.7	4,017	3.4
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries	1,818	1.6	677	0.6
Tax losses utilised from previous periods	(4,965)	(4.5)	(1,948)	(1.7)
Tax losses not recognised	6,166	5.5	15,030	13.1
Tax charge at the Group's effective rate	23,969	21.5	29,095	25.3

The share of tax attributable to an associate amounting to HK$303,000 (2015: HK$294,000) is included in "Share of profits and losses of associates" in the consolidated statement of profit or loss.

11. DIVIDEND

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

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. The actual amount will be accounted for as an appropriation of the distributable reserves in the year ending 31 December 2017.

At the annual general meeting held on 2 June 2016, the Company's shareholders approved the distribution of the final dividend for the year ended 31 December 2015 of HK1.0 cent per share which amounted to approximately HK$19,037,000.

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent of HK$87,666,000 (2015: HK$86,354,000), and the weighted average number of ordinary shares of 1,903,685,690 (2015: 1,897,783,005) in issue during the year.

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

The calculation of the diluted earnings per share amount for the year ended 31 December 2015 was 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 basic and diluted earnings per share are based on:

	2016 HK$'000	2015 HK$'000
Earnings		
Profit attributable to ordinary equity holders of the parent	**87,666**	86,354

	Number of shares	
	2016	2015
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**1,903,685,690**	1,897,783,005
Effect of dilution – weighted average number of ordinary shares:		
Share options	**–**	4,203,416
	1,903,685,690	1,901,986,421

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

13. PROPERTY, PLANT AND EQUIPMENT (continued)

	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 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)

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:

	2016 HK$'000	2015 HK$'000
Furniture, fixtures and equipment	**69**	86
Motor vehicles	**1,846**	–
	1,915	86

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 2016 would have been HK$25,155,000 (2015: HK$29,047,000).

At 31 December 2016, certain of the above land and buildings with an aggregate net carrying amount of HK$85,024,000 (2015: HK$88,144,000) were pledged to secure general banking facilities granted to the Group (note 29).

14. INVESTMENT PROPERTIES

	Notes	2016 HK$'000	2015 HK$'000
Carrying amount at 1 January		**569,937**	401,980
Additions		**557**	898
Fair value gains, net		**20,042**	30,131
Transfer from owner-occupied properties	13	**–**	121,160
Transfer from deposits for purchases of properties, and plant and equipment	19	**61,147**	18,627
Exchange realignment		**(7,360)**	(2,859)
Carrying amount at 31 December		**644,323**	569,937

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 2016 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 potential selling price, 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 2016	2015
Commercial properties in Hong Kong	Level 3	Income capitalisation method	Prevailing market rents (per sq.ft. and per month)	HK$29 to HK$116	HK$27 to HK$118
			Capitalisation rates	2.6% to 3.2%	2.8% to 3.1%
Commercial properties in Mainland China	Level 3	Income capitalisation method	Prevailing market rents (per sq.m. and per month)	RMB155 to RMB174	RMB145 to RMB160
			Capitalisation rates	4.3% to 5.3%	4.3% to 5.0%
		Market comparison approach	Prevailing market rates (per sq.m.)	RMB37,000 to RMB84,000	Not applicable
Industrial properties in Hong Kong	Level 3	Income capitalisation method	Prevailing market rents (per sq.ft. and per month)	HK$7 to HK$28	HK$7 to HK$25
			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)	RMB13	RMB12
			Capitalisation rates	8%	8%
Residential properties in Mainland China	Level 3	Income capitalisation method	Prevailing market rents (per sq.m. and per month)	RMB39 to RMB51	Not applicable
			Capitalisation rates	1.2%	Not applicable
		Market comparison approach	Prevailing market rates (per sq.m.)	Not applicable	RMB35,000 to RMB35,600

14. INVESTMENT PROPERTIES (continued)

Fair value hierarchy (continued)

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2015: Nil).

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

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

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

	Residential properties in Mainland China HK$'000	Commercial properties in Hong Kong HK$'000	Commercial properties in Mainland China HK$'000	Industrial properties in Hong Kong HK$'000	Industrial property in Mainland China HK$'000	Total HK$'000
Carrying amount at 1 January 2015	–	146,000	35,168	198,050	22,762	401,980
Additions	–	21	–	877	–	898
Fair value gains, net	18,644	3,279	1,158	5,523	1,527	30,131
Transfer from owner-occupied properties	–	10,100	–	111,060	–	121,160
Transfer from deposits for purchases of properties, and plant and equipment	18,627	–	–	–	–	18,627
Exchange realignment	(272)	–	(1,571)	–	(1,016)	(2,859)
Carrying amount at 31 December 2015 and 1 January 2016	**36,999**	**159,400**	**34,755**	**315,510**	**23,273**	**569,937**
Additions	**557**	**–**	**–**	**–**	**–**	**557**
Fair value gains	**2,540**	**1,500**	**5,633**	**7,880**	**2,489**	**20,042**
Transfer from deposits for purchases of properties, and plant and equipment	**–**	**–**	**61,147**	**–**	**–**	**61,147**
Exchange realignment	**(2,475)**	**–**	**(3,362)**	**–**	**(1,523)**	**(7,360)**
Carrying amount at 31 December 2016	**37,621**	**160,900**	**98,173**	**323,390**	**24,239**	**644,323**

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

At 31 December 2016, certain of the Group's investment properties with an aggregate carrying value of HK$484,290,000 (2015: HK$474,910,000) 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 144 to 145.

15. PROPERTIES UNDER DEVELOPMENT

	2016 HK$'000	2015 HK$'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 2016 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 146.

16. PREPAID LAND LEASE PAYMENTS

	2016 HK$'000	2015 HK$'000
Carrying amount at 1 January	**20,181**	21,682
Recognised during the year (note 6)	**(524)**	(552)
Exchange realignment	**(1,268)**	(949)
Carrying amount at 31 December	**18,389**	20,181

17. INTERESTS IN ASSOCIATES

	2016 HK$'000	2015 HK$'000
Share of net assets	**11,851**	11,076

The amount due to an associate included in the Group's current liabilities as at 31 December 2016 of HK$2,800,000 (2015: HK$2,800,000) 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 2016. 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.

During the year ended 31 December 2015, 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 year ended 31 December 2015 was HK$37,000 and share of losses cumulatively was HK$3,000.

Gobi EcoTech Limited was deregistered on 22 April 2016.

17. INTERESTS IN ASSOCIATES (continued)

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

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

	2016 HK$'000	2015 HK$'000
Current assets	**65**	77
Non-current assets	**63,296**	61,709
Current liabilities	**(333)**	(332)
Non-current liabilities	**(41,246)**	(41,217)
Net assets	**21,782**	20,237
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	**10,891**	10,118
Carrying amount of the investment	**10,891**	10,118
Revenue	**–**	–
Profit/(loss) for the year	**1,346**	(10,993)
Other comprehensive income	**200**	244
Total comprehensive income/(loss) for the year	**1,546**	(10,749)

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

	2016 HK$'000	2015 HK$'000
Share of the associates' profit for the year	**1,590**	1,543
Share of the associates' total comprehensive income	**1,590**	1,543
Dividends paid by the associates during the year	**1,588**	3,008
Aggregate carrying amount of the Group's investments in the associates	**960**	958

18. AVAILABLE-FOR-SALE INVESTMENTS

	2016 HK$'000	2015 HK$'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 (2015: HK$138,783,000) with an aggregate carrying amount before provision of HK$234,866,000 (2015: 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

	2016 HK$'000	2015 HK$'000
Carrying amount at 1 January	**32,477**	27,866
Transfer to property, plant and equipment (note 13)	**(1,289)**	(1,451)
Transfer to investment properties (note 14)	**(61,147)**	(18,627)
Additions	**41,873**	26,362
Exchange realignment	**(3,252)**	(1,673)
Carrying amount at 31 December	**8,662**	32,477

As at 31 December 2016, the carrying amount represented deposits paid for the purchases of a parcel of land in Xinfeng, Guangdong Province, the PRC, and machinery and equipment for the Group's paint operation.

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 2016 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:

	2016	2015
Discount rate	**1.8%**	1.6%
Expected rate of salary increases	**2.5%**	2.5%

The actuarial valuation showed that the market value of scheme assets was HK$8,065,000 (2015: HK$8,076,000) and that the actuarial value of these assets represented 142% (2015: 137%) 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
2016				
Discount rate	**5**	**42**	**5**	**(40)**
Future salary increase	**5**	**(51)**	**5**	**51**
2015				
Discount rate	5	42	(5)	(42)
Future salary increase	5	(68)	(5)	68

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:

	2016 HK$'000	2015 HK$'000
Current service cost	**179**	240
Interest cost	**(34)**	(54)
Net pension benefit expenses recognised in administrative expenses	**145**	186

20. NET PENSION SCHEME ASSETS (continued)

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

	2016 HK$'000	2015 HK$'000
At 1 January	**5,898**	6,862
Current service cost	**179**	240
Interest cost	**91**	128
Remeasurements:		
– Actuarial gains arising from changes in demographic assumptions	**(12)**	(103)
– Actuarial losses arising from changes in financial assumptions	**(106)**	118
– Experience adjustments	**(139)**	101
Benefit paid	**(218)**	(1,448)
At 31 December	**5,693**	5,898

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

2016

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

20. NET PENSION SCHEME ASSETS (continued)

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

2015

	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
		Pension cost credited/ (charged) to profit or loss				Remeasurement gains/(losses) in other comprehensive income					
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

The Group did not pay any contribution to the defined benefit pension scheme during the years ended 31 December 2015 and 2016, 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:

	2016 HK$'000	2015 HK$'000
Equities, quoted in active markets	**6,250**	5,992
Bonds	**1,629**	1,478
Money market instruments	**186**	606
	8,065	8,076

The weighted average duration of the defined benefit obligations at the end of the reporting period was 10 years (2015: 11 years).

21. INVENTORIES

	2016 HK$'000	2015 HK$'000
Raw materials and spare parts	**40,805**	36,535
Work in progress	**5,363**	5,248
Finished goods	**33,298**	20,681
	79,466	62,464

22. TRADE AND BILLS RECEIVABLES

	2016 HK$'000	2015 HK$'000
Trade and bills receivables	**525,518**	372,697
Impairment	**(28,283)**	(18,337)
	497,235	354,360

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:

	2016 HK$'000	2015 HK$'000
Within three months	**424,748**	254,316
Over three months and within six months	**44,098**	41,799
Over six months	**28,389**	58,245
	497,235	354,360

22. TRADE AND BILLS RECEIVABLES (continued)

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

	Note	2016 HK$'000	2015 HK$'000
At 1 January		**18,337**	13,481
Amount written off as uncollectible		**(301)**	–
Impairment losses recognised	6	**11,694**	5,465
Exchange realignment		**(1,447)**	(609)
At 31 December		**28,283**	18,337

Included in the above provision for impairment of trade and bills receivables is a provision for individually impaired trade receivables of HK$28,283,000 (2015: HK$18,337,000) with an aggregate carrying amount before provision of HK$35,612,000 (2015: HK$32,447,000).

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

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

	2016 HK$'000	2015 HK$'000
Neither past due nor impaired	**329,687**	198,999
Within three months past due	**118,533**	73,862
Over three months and within six months past due	**23,324**	32,478
Over six months past due	**18,362**	34,911
	489,906	340,250

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

	2016 HK$'000	2015 HK$'000
Prepayments	**9,782**	3,380
Deposits and other receivables	**47,798**	45,170
	57,580	48,550
Impairment	**(1,366)**	(1,366)
	56,214	47,184

The above deposits and other receivables included rental receivables of HK$3,262,000 (2015: HK$771,000), of which HK$2,365,000 (2015: HK$106,000) were past due within six months.

Included in the above provision for impairment is a provision for an individually impaired other receivable of HK$1,366,000 (2015: HK$1,366,000), with a carrying amount before provision of HK$1,366,000 (2015: HK$1,366,000). The Company's directors considered that the individual impaired balance had been outstanding for some time and was not expected to be recoverable. None of the remaining assets above is past due nor impaired. Except for the rental receivables and individually impaired other receivable of HK$1,366,000, the remaining financial assets included in the above balances relate to receivables for which there was no recent history of default.

24. STRUCTURED DEPOSITS

Structured deposits were stated at fair value and represented several wealth management products issued by banks. As at 31 December 2016 and 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

	Note	2016 HK$'000	2015 HK$'000
Cash and bank balances		**149,034**	163,388
Time deposits:			
– with original maturity of less than three months when acquired		**118,304**	107,226
– with original maturity of more than three months when acquired		**1,307**	81,569
		268,645	352,183
Less: Pledged time deposits for bills payable			
– with original maturity of less than three months when acquired		**(961)**	(3,179)
– with original maturity of more than three months when acquired		**(1,307)**	–
Time deposits restricted for a short term bank 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)
Cash and cash equivalents		**266,377**	277,394

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$193,771,000 (2015: HK$298,568,000). The RMB is not freely convertible into other currencies, however, under the Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

26. TRADE AND BILLS PAYABLES

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

	2016 HK$'000	2015 HK$'000
Within three months	**212,648**	127,720
Over three months and within six months	**1,548**	925
Over six months	**12**	11
	214,208	128,656

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

27. OTHER PAYABLES AND ACCRUALS

	Note	2016 HK$'000	2015 HK$'000
Deferred income	32	**297**	318
Other payables		**55,996**	34,941
Accruals and receipts in advance		**97,749**	109,905
		154,042	145,164

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

28. DERIVATIVE FINANCIAL INSTRUMENT

	2016 HK$'000	2015 HK$'000
Interest rate swap contract – liability	**–**	10

As at 31 December 2015, the Group entered into an interest rate swap contract with a notional amount HK$10,000,000 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 profit or loss. The aggregate fair value gain of the non-hedging derivative amounting to HK$10,000 (2015: HK$6,000) was credited to the consolidated statement of profit or loss during the year ended 31 December 2016.

29. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2016			2015		
	Effective interest rate per annum (%)	**Maturity**	**HK$'000**	Effective interest rate per annum (%)	Maturity	HK$'000
Current						
Finance lease payables (note 30)	**2.5–4.7**	**2017**	**378**	4.7	2016	23
Bank loans – secured	**1.4–2.4**	**2017**	**114,911**	1.2–3.1	2016	167,848
Import loans – secured	**1.5–2.5**	**2017**	**16,455**	0.4–2.0	2016	12,568
Import loans – unsecured	**1.5–1.8**	**2017**	**22,580**	1.3	2016	8,772
			154,324			189,211
Non-current						
Finance lease payables (note 30)	**2.5–4.7**	**2018–2021**	**1,414**	4.7	2017–2019	51
Bank loans – secured	**1.4–1.9**	**2018–2020**	**10,180**	1.2–1.7	2017–2020	16,088
			11,594			16,139
			165,918			205,350

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

	2016 HK$'000	2015 HK$'000
Analysed into:		
Bank loans and import loans repayable:		
Within one year or on demand	**153,946**	189,188
In the second year	**5,854**	5,939
In the third to fifth years, inclusive	**4,326**	10,149
Beyond five years	**–**	–
	164,126	205,276
Other borrowings repayable:		
Within one year or on demand	**378**	23
In the second year	**389**	24
In the third to fifth years, inclusive	**1,025**	27
	1,792	74
	165,918	205,350

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$85,024,000 (2015: HK$88,144,000) (note 13); and

(ii) the Group's investment properties with an aggregate carrying value at the end of the reporting period of HK$484,290,000 (2015: HK$474,910,000) (note 14).

(b) Included in the Group's interest-bearing bank and other borrowings as at 31 December 2016 were borrowings with carrying amounts of HK$37,467,000 (2015: HK$18,001,000) and Nil (2015: HK$792,000) which were denominated in United States dollars ("US$") and Euro respectively. All other borrowings of the Group are denominated in Hong Kong dollars.

(c) As at 31 December 2015, the Group had time deposits of approximately HK$71,610,000 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 motor vehicle and office equipment (2015: office equipment) for its operations. These leases are classified as finance leases and have remaining lease terms ranging from one to five years (2015: two to four 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	
	2016	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable:				
Within one year	**455**	25	**378**	23
In the second year	**447**	25	**389**	24
In the third to fifth years, inclusive	**1,086**	29	**1,025**	27
Total minimum finance lease payments	**1,988**	79	**1,792**	74
Future finance charges	**(196)**	(5)		
Total net finance lease payables	**1,792**	74		
Portion classified as current liabilities (note 29)	**(378)**	(23)		
Non-current portion (note 29)	**1,414**	51		

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	
	2016 HK$'000	2015 HK$'000	2016 HK$'000	2015 HK$'000	2016 HK$'000	2015 HK$'000	2016 HK$'000	2015 HK$'000
At 1 January	3,554	3,956	11,596	6,247	31,256	30,579	46,406	40,782
Deferred tax charged/(credited) to the statement of profit or loss during the year (note 10)	(783)	(402)	2,665	5,433	(2,371)	677	(489)	5,708
Exchange realignment	–	–	(376)	(84)	–	–	(376)	(84)
Gross deferred tax liabilities recognised in the consolidated statement of financial position at 31 December	2,771	3,554	13,885	11,596	28,885	31,256	45,541	46,406

Deferred tax assets

	Losses available for offsetting against future taxable profits		Depreciation in excess of related depreciation allowance		Accruals		Total	
	2016 HK$'000	2015 HK$'000	2016 HK$'000	2015 HK$'000	2016 HK$'000	2015 HK$'000	2016 HK$'000	2015 HK$'000
At 1 January	132	244	2,795	2,887	5,058	6,195	7,985	9,326
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 10)	129	(112)	364	37	(252)	(870)	241	(945)
Exchange realignment	–	–	(182)	(129)	(313)	(267)	(495)	(396)
Gross deferred tax assets recognised in the consolidated statement of financial position at 31 December	261	132	2,977	2,795	4,493	5,058	7,731	7,985

31. DEFERRED TAX (continued)

The Group has estimated tax losses arising in Hong Kong of HK$1,084,795,000 (2015: HK$1,055,542,000), 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$15,437,000 (2015: HK$29,421,000) for offsetting against future taxable profits.

As at 31 December 2016, the tax losses of a subsidiary in Hong Kong of HK$1,584,000 (2015: HK$800,000) were recognised as deferred tax assets 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 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	**2016** **HK$'000**	2015 HK$'000
At 1 January		**3,131**	3,598
Recognised during the year	5	**(301)**	(317)
Exchange realignment		**(187)**	(150)
At 31 December		**2,643**	3,131
Portion classified as current liabilities	27	**(297)**	(318)
Non-current portion		**2,346**	2,813

32. DEFERRED INCOME (continued)

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

	2016 HK$'000	2015 HK$'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 (2015: 1,903,685,690) ordinary shares of HK$0.10 each	**190,369**	190,369

A 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 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 and 31 December 2016	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.

33. SHARE CAPITAL (continued)

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.

During the year ended 31 December 2015, 15,280,000 share options were exercised and all the remaining 122,240,000 share options were lapsed upon the expiry of an exercise period of five years from the grant date.

At 31 December 2016 and 2015, there were no share options outstanding under the 2002 Scheme.

The 2012 Scheme

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

The 2012 Scheme will expire on 27 June 2022. During the years ended 31 December 2016 and 2015, 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 2016 and 2015 are presented in the consolidated statement of changes in equity on pages 53 and 54 of the financial statements.

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Major non-cash transactions

(a) During the year ended 31 December 2016, 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$1,910,000 (2015: Nil).

(b) During the year ended 31 December 2016, 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$1,289,000 (2015: HK$1,451,000).

(c) During the year ended 31 December 2016, the Group completed the acquisition of certain investment properties, the consideration of which was settled by deposits previously paid with an aggregate carrying amount of HK$61,147,000 (2015: HK$18,627,000).

37. PLEDGE OF ASSETS

Details of the Group's bill payable and bank loans and other borrowings secured by certain assets of the Group are included in notes 25 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 2016, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2016	2015
	HK$'000	HK$'000
Within one year	**11,709**	24,085
In the second to fifth years, inclusive	**8,405**	15,651
	20,114	39,736

(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 2016, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2016	2015
	HK$'000	HK$'000
Within one year	**982**	1,685
In the second to fifth years, inclusive	**76**	979
	1,058	2,664

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:

	2016	2015
	HK$'000	HK$'000
Contracted, but not provided for:		
Purchases of land use rights*	**1,745**	1,864
Construction and purchases of items of property, plant and equipment	**9,825**	23,497
	11,570	25,361

* 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 (2015: RMB6,658,000) had been paid by the Group as at 31 December 2016.

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

	2016	2015
	HK$'000	HK$'000
Short term employee benefits	**12,083**	11,830
Post-employment benefits	**386**	386
Total compensation paid/payable to key management personnel	**12,469**	12,216

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:

2016

Financial assets

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

Financial liabilities

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

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

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

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

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	
	2016	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Structured deposits	**98,666**	160,549	**98,666**	160,549
Financial liabilities				
Derivative financial instrument	**–**	10	**–**	10
Interest-bearing bank and other borrowings	**165,918**	205,350	**165,888**	205,241
	165,918	205,360	**165,888**	205,251

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 2016 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 2016 and 2015:

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	2016: 2.3% to 4.0% (2015: 2.9% to 4.0%)	5% increase (decrease) in the expected rate of return would result in increase (decrease) in fair value by HK$193,000 (HK$184,000) (2015: HK$244,000 (HK$232,000))
		Discount rate	2016: 2.3% to 3.2% (2015: 2.9% to 4.0%)	5% increase (decrease) in discount rate would result in decrease (increase) in fair value by HK$10,000 (HK$9,000) (2015: HK$133,000 (HK$: 127,000))

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 2016				
Structured deposits	**–**	**–**	**98,666**	**98,666**
At 31 December 2015				
Structured deposits	–	–	160,549	160,549
Liability measured at fair value:				
At 31 December 2016				
Derivative financial instrument	**–**	**–**	**–**	**–**
At 31 December 2015				
Derivative financial instrument	–	10	–	10

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:

	2016 HK$'000	2015 HK$'000
Structured deposits		
At 1 January	**160,549**	203,037
Purchases	**231,709**	412,683
Disposals	**(289,717)**	(453,181)
Gains recognised in the statement of profit or loss	**3,291**	5,034
Exchange realignment	**(7,166)**	(7,024)
At 31 December	**98,666**	160,549

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 (2015: Nil).

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Liabilities for which fair values are disclosed:				
At 31 December 2016				
Interest-bearing bank and other borrowings	**–**	**–**	**165,888**	**165,888**
At 31 December 2015				
Interest-bearing bank and other borrowings	–	–	205,241	205,241

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$'000
2016		
HK$	**50**	**(540)**
RMB	**50**	**370**
HK$	**(50)**	**540**
RMB	**(50)**	**(370)**
2015		
HK$	50	(790)
RMB	50	547
HK$	(50)	790
RMB	(50)	(547)

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 consolidated statement of financial position, with a portion of its bank deposits, trade receivables and payable denominated in currencies other than the functional currencies of the operating subsidiaries, can be affected by movements in the exchange rate between HK$ and RMB.

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

	Increase/ (decrease) in RMB rate %	Increase/ (decrease) in profit before tax HK$'000
2016		
If HK$ weakens against RMB	**5**	**(873)**
If HK$ strengthens against RMB	**(5)**	**873**
2015		
If HK$ weakens against RMB	5	4,259
If HK$ strengthens against RMB	(5)	(4,259)

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
2016					
Due to an associate	**–**	**2,800**	**–**	**–**	**2,800**
Trade and bills payables	**–**	**214,208**	**–**	**–**	**214,208**
Other payables	**3,937**	**52,059**	**–**	**–**	**55,996**
Interest-bearing bank and other borrowings	**–**	**154,191**	**10,355**	**–**	**164,546**
Finance lease payables	**–**	**455**	**1,533**	**–**	**1,988**
	3,937	**423,713**	**11,888**	**–**	**439,538**
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 and other borrowings	–	189,476	16,425	–	205,901
Finance lease payables	–	25	54	–	79
	3,509	352,399	16,479	–	372,387

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 2016 and 31 December 2015.

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:

	2016 **HK$'000**	2015 HK$'000
Bank and other borrowings	**165,918**	205,350
Equity attributable to owners of the parent	**1,477,636**	1,466,037
Less: Leasehold land and building revaluation reserve	**(249,069)**	(249,069)
Investment property revaluation reserve	**(13,557)**	(13,557)
Adjusted capital	**1,215,010**	1,203,411
Gearing ratio	**13.7%**	17.1%

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:

	2016 HK$'000	2015 HK$'000
NON-CURRENT ASSETS		
Property, plant and equipment	**302**	405
Interests in subsidiaries	**343,220**	373,181
Due from subsidiaries	**236,321**	221,146
Total non-current assets	**579,843**	594,732
CURRENT ASSETS		
Prepayments, deposits and other receivables	**165**	144
Cash and cash equivalents	**18,797**	24,638
Total current assets	**18,962**	24,782
CURRENT LIABILITIES		
Due to a subsidiary	**8,850**	–
Other payables and accruals	**4,293**	3,702
Interest-bearing other borrowings	**14**	13
Total current liabilities	**13,157**	3,715
NET CURRENT ASSETS	**5,805**	21,067
TOTAL ASSETS LESS CURRENT LIABILITIES	**585,648**	615,799
NON-CURRENT LIABILITIES		
Interest-bearing other borrowings	**26**	39
Net assets	**585,622**	615,760
EQUITY		
Issued capital	**190,369**	190,369
Reserves (note)	**395,253**	425,391
Total equity	**585,622**	615,760

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 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 and 1 January 2016	**88,970**	**–**	**325,267**	**11,154**	**425,391**
Total comprehensive loss for the year	**–**	**–**	**–**	**(11,101)**	**(11,101)**
Final 2015 dividend declared and paid	**–**	**–**	**(19,037)**	**–**	**(19,037)**
At 31 December 2016	**88,970**	**–**	**306,230**	**53**	**395,253**

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

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

\# 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. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified and the directors consider that such reclassifications will allow a more appropriate presentation of the consolidated statement of profit or loss and better reflect the nature of the transactions.

46. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 30 March 2017.

Schedule of Principal Properties

31 December 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 Nos. 11, 12, 14, 15 and 16 on 1st Floor Room Nos. 21, 22, 23, 24 and 25 on 2nd Floor Room Nos. 31, 32, 33, 34 and 35 on 3rd Floor within an industrial building Lot No. 963 in Demarcation District No. 215 and the Extension Thereto Hong Ting Road Tui Min Hoi Sai Kung New Territories Hong Kong	100	Medium term	Industrial
Ground Floor No. 497 Shanghai Street Mong Kok Kowloon Hong Kong	100	Medium term	Commercial
Factory Complex Ling Dong Road Xin Hua Gangkou Industrial Development Zone Hua Du District Guangzhou City Guangdong Province the PRC	100	Medium term	Industrial

INVESTMENT PROPERTIES (continued)

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

31 December 2016

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

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
China Paint (1932)	The China Paint Manufacturing Company (1932) Limited, a wholly-owned subsidiary of the Company
China Paint (Shenzhen)	The China Paint Manufacturing (Shenzhen) Co., Ltd. (中華製漆（深圳）有限公司), a wholly-owned subsidiary of the Company
China Paint (Xinfeng)	The China Paint Mfg. Co., (Xinfeng) Ltd. (中華製漆（新豐）有限公司), a wholly-owned subsidiary 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
Hong Kong	The Hong Kong Special Administrative Region of the PRC
Hubei Giraffe	Hubei Giraffe Paint Mfg. Co., Ltd. (湖北長頸鹿製漆有限公司), a non wholly-owned subsidiary of the Company
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
Proposed Spin-off	The proposed spin-off of CPM Group Limited, a wholly-owned subsidiary of the Company, for separate listing on the Stock Exchange

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
Share Option Scheme	The share option scheme adopted by the Company on 28 June 2012
Stock Exchange	The Stock Exchange of Hong Kong Limited
Xuzhou Giraffe	Giraffe Paint Mfg. Co., (Xuzhou) Ltd. (長頸鹿製漆(徐州)有限公司), a wholly-owned subsidiary of the Company

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北海集團有限公司