MANFIELD

Manfield Chemical Holdings Limited
萬輝化工控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1561

2017
ANNUAL REPORT

CONTENTS

Corporate Information	2
Chairman's Statement	3
Biographical Details in Respect of Directors	7
Directors' Report	10
Corporate Governance Report	16
Environmental, Social and Governance Report	27
Independent Auditor's Report	34
Consolidated Statement of Profit or Loss	38
Consolidated Statement of Profit or Loss and Other Comprehensive Income	39
Consolidated Statement of Financial Position	40
Consolidated Statement of Changes in Equity	41
Consolidated Statement of Cash Flows	42
Notes to the Consolidated Financial Statements	43
Financial Summary	82

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Yuen Shu Wah *(Chairman)*
Mr. Ko Jack Lum *(Chief Executive Officer)*
Mr. Ng Kai On

Non-Executive Directors

Dato' Wong Peng Chong
Mr. Kong Muk Yin

Independent Non-Executive Directors

Dr. Chui Hong Sheung, *JP*
Mr. Cheung Chi Wai Vidy
Mr. Yue Kwai Wa Ken

AUDIT COMMITTEE

Mr. Yue Kwai Wa Ken *(Chairman)*
Dr. Chui Hong Sheung, *JP*
Mr. Cheung Chi Wai Vidy

NOMINATION COMMITTEE

Mr. Yuen Shu Wah *(Chairman)*
Mr. Ko Jack Lum
Dr. Chui Hong Sheung, *JP*
Mr. Cheung Chi Wai Vidy
Mr. Yue Kwai Wa Ken

REMUNERATION COMMITTEE

Mr. Cheung Chi Wai Vidy *(Chairman)*
Mr. Yuen Shu Wah
Mr. Ko Jack Lum
Dr. Chui Hong Sheung, *JP*
Mr. Yue Kwai Wa Ken

EXECUTIVE COMMITTEE

Mr. Yuen Shu Wah *(Chairman)*
Mr. Ko Jack Lum
Mr. Ng Kai On

COMPANY SECRETARY

Mr. Kong Muk Yin

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants

LEGAL ADVISERS

As to Hong Kong law
Robertsons

As to PRC law
ETR Law Firm

As to Cayman Islands law
Conyers Dill & Pearman

PRINCIPAL BANKERS

Standard Chartered Bank (Hong Kong) Limited
China Merchants Bank, Songgang branch
Bank of China, Zengcheng branch
Agricultural Bank of China, Zhongxin branch

REGISTERED OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Block L
9th Floor, On Wah Industrial Building
41–43 Au Pui Wan Street
Fo Tan, Shatin
Hong Kong
Telephone: (852) 2604 8262
Facsimile: (852) 2691 3244

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

STOCK CODE

1561

WEBSITE

http://www.irasia.com/listco/hk/manfield/

On behalf of the board of Directors (the "Board") of Manfield Chemical Holdings Limited (the "Company"), I have the pleasure to present the financial results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2017.

RESULTS AND FINANCIAL OVERVIEW

For the year ended 31 December 2017, revenue of the Group decreased by approximately 5.6% to HK$374,161,000 (2016: HK$396,172,000) and its profit attributable to shareholders of the Company substantially decreased by approximately 85.3% to HK$6,105,000 (2016: HK$41,603,000) mainly attributable to (i) the decrease in gross profit to HK$65,377,000 (2016: HK$88,136,000) as a result of the combined effect of decrease in sale and continued increases in the unit price of raw materials and other production costs amid challenging operating environment of the coating industry in the People's Republic of China ("PRC"); (ii) the loss on demolishing an office building for expanding storage capacity of the Group's coating plant in Changzhou; and (iii) the substantial decrease in share of profit of associates of the Company to HK$13,585,000 (2016: HK$23,817,000).

Earnings per share for the year ended 31 December 2017 decreased to HK1.0 cents (2016: HK6.9 cents).

The Group's net asset value per share as at 31 December 2017 maintained at HK$1.07 (2016: HK$1.04).

FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK$0.025 per share for the year ended 31 December 2017 (2016: HK$0.025 per share) amounting to HK$15,000,000 payable to the shareholders of the Company whose names appear on the Register of Members of the Company on Thursday, 14 June 2018.

CLOSURE OF REGISTER OF MEMBERS

(i) For determining the eligibility of the shareholders of the Company to attend and vote at the annual general meeting or any adjournment of such meeting:

The annual general meeting of the Company (the "Annual General Meeting") is scheduled to be held on Wednesday, 6 June 2018. For determining the eligibility to attend and vote at the Annual General Meeting, the Register of Members of the Company will be closed from Friday, 1 June 2018 to Wednesday, 6 June 2018, both dates inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the Annual General Meeting, all transfers of ordinary shares, duly accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration, no later than 4:30 p.m. on Thursday, 31 May 2018.

(ii) For determining the entitlement of shareholders of the Company to the proposed final dividend:

The Register of Members of the Company will be closed from Tuesday, 12 June 2018 to Thursday, 14 June 2018, both dates inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfers of ordinary shares, duly accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration, no later than 4:30 p.m. on Monday, 11 June 2018. The record date for such purpose is Thursday, 14 June 2018.

Upon approval by the shareholders of the Company at the Annual General Meeting, the relevant dividend warrants of the proposed final dividend are expected to be despatched on or about 5 July 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the year ended 31 December 2017, revenue of the Group decreased by approximately 5.6% to HK$ 374,161,000 (2016: HK$396,172,000) among which sales of liquid coatings to outsiders increased by approximately 3.0% to HK$244,679,000 (2016: HK$237,575, 000), sales of powder coatings to outsiders decreased by approximately 2.8% to HK$23,756,000 (2016: HK$24,439,000), sales of liquid coatings to subsidiaries of an associate, CMW Holdings Limited ("CMW") decreased by approximately 16.9% to HK$105,726,000 (2016: HK$127,156,000) and subcontracting fee income from subsidiaries of associate was HK$nil (2016: HK$7,002,000).

In 2017, the Group's royalty fee income, management fee income, rental income and transportation fee income from the subsidiaries of CMW decreased to HK$3,708,000 (2016: HK$4,166,000), HK$8,304,000 (2016: HK$9,027,000), HK$1,657,000 (2016: HK$1,668,000) and HK$1,446,000 (2016: HK$1,727,000) respectively.

The operating environment of the Group remained difficult in 2017 as a result of the continued increases in the unit price of raw materials and other production costs coupled with the decrease in sale in coating products due to the weak consumer sentiment.

Continuing the upward trend in 2016, crude oil prices rose gradually in the second half of 2017. Prices of resin and solvent, two petroleum-based raw materials and principal components in coatings, increased sharply and prices of other raw materials used by the Group rose considerably as well. The situation was further adversely affected by the persistent raise of labour cost due to the increase of minimum wage adjustments in the PRC. In 2017, 11 provinces in the PRC (including Shenzhen) have increased the minimum wage levels by an average of 9% and as a result the overall salary and wage level of the Group increased.

Currently, the Group operates two coating plants in Southern China. Stringent policies and regulations have been introduced by the local municipal government, in particular, in the area of environmental conservation with complicated inspection procedures and certification requirements imposing great burden on the operations of the Group's coating plant in Shenzhen. During the year under review, in order to mitigate such adverse effects, small scale restructuring and streamline program had been taken as well as strategic cost reductions in the Group's Shenzhen plant. Part of the production in Shenzhen plant have also been shifted to the Group's coating plant in Guangzhou.

The Company's Taiwan branch, which was established to accommodate the Group's Taiwan-based customers for the retail of coatings and international trading, had been scale-down at the end of December 2017.

Above all, the Group's gross profit for the year ended 31 December 2017 substantially decreased to HK$65,377,000 (2016: HK$ HK$88,136,000) with an overall gross margin of 17.5% (2016: 22.2%). For the year ended 31 December 2017, costs of raw materials and labour accounted for the major part of the Group's cost of sales and services. Given the fierce competition within the coatings industry, such cost increases could not be fully passed on to the Group's customers by price adjustments.

In addition, during the year under review, an office building had been demolished to further expand the storage capacity of one of the Group's coating plant in Changzhou resulted in the increase in the net loss on disposal of property, plant and equipment to HK$3,279,000 (2016: HK$89,000).

OTHER

In order to support the Group's growing operations, the Group has further expanded its existing production facilities in Guangzhou plant by commencing the phase two of construction of Guangzhou plant's production facilities. The production facilities consisting of two warehouses, a workshop and a technical development building are expected to be completed by the end of 2018. As at 31 December 2017, the Group had invested approximately HK$7.1 million for phase two of construction of Guangzhou plant's production facilities.

On the other hand, in view of the fact that additional time is required for compliance with various registration and approval procedures required for the acquisition of the land use rights of a property (the "Land Acquisition") by Manfield (Guangzhou) Innovative Materials Limited (formerly known as Springfield Chemical (Guangzhou) Company Limited) ("Manfield GZ") from Zengcheng Ltd. (a connected person of the Company) (as disclosed in the section headed "Connected Transactions" in the prospectus dated 17 November 2015 ("Prospectus") and the announcement dated 12 December 2017 issued by the Company), the parties thereto have agreed to further extend the completion date of the Land Acquisition to a date on or before 31 December 2018. The Group considers that the delay in completion of the Land Acquisition will not have any material adverse impact on the operations or financial position of the Company. The Company will make a further announcement as to the development of the Land Acquisition as and when appropriate.

Of the Group's option to dispose of a 40% equity interests in Manfield Teknos (Changzhou) Chemical Company Limited, a sino-foreign equity joint venture established in the PRC and an indirectly 60% subsidiary of the Company (as disclosed in the section headed "History, Reorganization and Group Structure" of the Prospectus), during the year under review, the Company has been reviewing and considering the exercise of the option provided such exercise could bring benefit to the shareholders of the Company. Currently no resolution had been made as to whether or not to exercise this option. The Company will make a further announcement as and when appropriate.

PRINCIPAL ASSOCIATED COMPANY

Of the Group 45% equity interest in CMW, which primarily engaged in the importing, distributing, manufacturing and marketing of coatings for mobile phones and non-stick and high temperature decorative coatings, during the year under review, revenue of CMW decreased by approximately 13.3% to HK$597,211,000 (2016: HK$688,703,000) and the Group's share of profit derived from CMW decreased approximately by 43.1% to HK$13,587,000 (2016: HK$23,898,000). Sales of coatings for mobile phones by CMW was far from satisfactory as both sales to international and consumer electronics markets dropped. Although sales of railway coatings recorded a mild increase, sales of non-stick and high temperature decorative coatings dropped.

USE OF NET PROCEEDS FROM LISTING

Following the listing of its shares, the Company received net proceeds of approximately HK$119.9 million from the placing and public offer of its shares in December 2015 after the deduction of underwriting commissions and all related expenses. The actual use of proceeds were as follows:

	Intended use of proceeds		Actual use of proceeds
i.	Approximately HK$81.7 million to partially fund phase two of construction of Manfield GZ production facilities	i.	Approximately HK$7.1 million was used as funds for phase two of construction of Manfield GZ's production facilities
ii.	Approximately HK$12.0 million for the purchase of additional machinery and equipment	ii.	Approximately HK$5.6 million for the purchase of additional machinery and equipment
iii.	Approximately HK$3.3 million for partial settlement of the purchase price of the land for phase two of construction of Manfield GZ's production facilities	iii.	Not yet used
iv.	Approximately HK$20.0 million for repayment of a bank overdraft facility	iv.	HK$20.0 million was used as repayment of a bank overdraft facility
v.	Approximately HK$2.9 million for general working capital of the Group	v.	Approximately HK$2.9 million was used as general working capital for the Group

The Directors consider that the unused proceeds of approximately HK$84.3 million are to be applied in accordance with the proposed applications as set out in the section headed "Use of proceeds" in the Prospectus. The Directors are not aware of any material change to the planned use of the proceeds as at the date of this Report.

FINANCIAL RESOURCES, BORROWINGS, CAPITAL STRUCTURE AND EXPOSURES TO FLUCTUATIONS IN EXCHANGE RATES

As at 31 December 2017, the Group's non-current assets of HK$311,430,000 (2016: HK$315,959,000) consisted of property, plant and equipment of HK$95,104,000 (2016: HK$103,890,000), prepaid lease payments of HK$23,631,000 (2016: HK$26,961,000), interest in an associate of HK$191,889,000 (2016: HK$180,298,000), deferred tax assets of HK$nil (2016: HK$162,000), derivative financial instruments of HK$nil (2016: HK$1,702,000) and deposits to purchase of property, plant and equipment and prepaid lease payments of HK$806,000 (2016: HK$2,946,000). These non-current assets are principally financed by the Group's shareholders' funds. As at 31 December 2017, the Group's net current assets increased to HK$343,932,000 (2016: HK$321,311,000).

As at 31 December 2017, the Group has no bank borrowing (2016: nil).

As at 31 December 2017, the Group's leasehold land and buildings situated in Hong Kong amounting to HK$1,585,000 (2016: HK$4,473,000), were pledged to a bank for general banking facilities granted to the Group.

The Group's operations are mainly located in the PRC and its transactions, related working capital and borrowing are primarily denominated in Renminbi and Hong Kong Dollars. The Group will closely monitor its foreign exchange exposure and will consider hedging significant currency exposure should the need arises.

As at 31 December 2017, the Group had capital commitment contracted for but not provided — acquisition of property, plant and equipment of HK$2,357,000 (2016: HK$1,263,000) and other commitment contracted for but not provided — proposed purchase of land of HK$8,747,000 (2016: HK$8,174,000).

As at 31 December 2017, the Group did not have any material contingent liabilities.

EMPLOYEES AND REMUNERATION POLICIES

The Group had 682 employees as at 31 December 2017 (2016: 714). The Group ensures that its employees are remunerated in line with market conditions and individual performance and the remuneration policies are reviewed on a regular basis.

PROSPECTS AND STRATEGIES

In view of the challenging market conditions of the coating industry in 2018, the Group will remain conservative and prudent. The Group expects that the competition in the coatings industry will continue to be severe with weak customer demand coupled with the continuing surge in prices of raw materials and other production costs, and compliance costs due to increased public and governmental awareness of environmental protection issues. The Group believes that it will face more challenges ahead and its profit margin will continue to be under pressure.

With a number of toy industry customers relocating their production base from the Pearl River Delta to other overseas region recently, the Group will seek such investment opportunities by exploring suitable place for setting up a new manufacturing plant outside the PRC. In response to the severe market situation, the Company will continue to focus on strict control of operating costs and maintain normal production and operation. At the same time, the Company will explore new business opportunities, bringing new growth and momentum to the Group. The Group will continue to strengthen its business portfolio by leveraging on its stable and experienced management team, providing diversified products mix and integrating with quality control and international certification. The Group will continue to identify suitable projects and monitor the external environment carefully in order to enhance value for the shareholders.

The Group will strive to contribute to the scientific and technological innovation capabilities of the coatings industry and to practically protect the ecological environment and promote the sustainable development of the coatings industry.

APPRECIATION

On behalf of the Board, I would like to extend my whole-hearted thanks to our shareholders for their continued support and to our staff for their contribution to the Group during the year.

Yuen Shu Wah
Chairman

Hong Kong, 20 March 2018

BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Yuen Shu Wah, aged 68, one of the co-founders of our Group, was appointed as an executive director of the Company since 14 April 2014 and has been re-designated as an executive director and the chairman of the Company since 12 June 2014. Mr. Yuen is responsible for the overall strategic planning and corporate policies formulation of our Group. He is also responsible for sales and market strategies.

Mr. Yuen was graduated from The University of Hong Kong with a first class honours bachelor degree in science general and obtained a master degree in chemical engineering from The University of Wales, United Kingdom. Mr. Yuen has been engaged in the industrial coating industry since February 1976.

Mr. Yuen is the Chairman of the Gratia Foundation Limited. He is also the approved first supervisor of the Gratia College in Hong Kong in July 2013. Mr. Yuen has been the Chairman of the Board of Governors of Gratia Christian College since July 2015. Mr. Yuen has served as a trustee of the Incorporated Trustees of Peace Evangelical Centre since 1995. He was awarded Honorary Citizen of Guangzhou (廣州市榮譽市民) in November 2012.

Mr. Yuen was an executive director of Landing International Development Limited (formerly known as Greenfield Chemical Holdings Limited) from October 2001 to October 2007.

Mr. Ko Jack Lum, aged 81, the co-founder, was appointed as an executive director and the chief executive officer of the Company on 12 June 2014. He is responsible for project management, including monitoring the operation of company projects, tendering submissions and reviewing project costs and budget. He is also responsible for the production and technical aspects of our products. Mr. Ko was graduated from The National Cheng Kung University (國立成功大學, formerly known as Taiwan Provincial Cheng Kung University (臺灣省立成功大學)) with a bachelor degree in chemical engineering . Mr. Ko possesses over 50 years of experience in the coating industry.

Mr. Ko was an executive director of Landing International Development Limited (formerly known as Greenfield Chemical Holdings Limited) from October 2001 to October 2007.

Mr. Ng Kai On, aged 57, was appointed as an executive director of the Company on 12 June 2014. He is responsible for accounting and financial control of our Group. He was graduated from The Open University of Hong Kong with a bachelor degree in business administration and a master degree of business administration. Mr. Ng possesses over 20 years of experience in financial and managerial matters.

Mr. Ng was an executive director of Landing International Development Limited (formerly known as Greenfield Chemical Holdings Limited) from October 2001 to November 2007.

NON-EXECUTIVE DIRECTORS

Dato' Wong Peng Chong, aged 74, was appointed as a non-executive director of the Company on 12 June 2014. Dato' Wong is an executive director of China Medical & HealthCare Group Limited (formerly known as COL Capital Limited). He is also a director of Asia Development Capital Co., Ltd., a company listed on The Tokyo Stock Exchange, Inc..

Upon his graduation from the University of Malaya in 1967, Dato' Wong joined the Malaysian Foreign Service and served with several Malaysian diplomatic missions overseas in various capacities. He joined the private sector in 1985 and has served in various senior management positions, including executive directorships in public listed companies, in Hong Kong and Malaysia. He was the vice-president of Alibaba Pictures Group Limited from 4 July 2007 to 9 December 2009 and an executive director of Landing International Development Limited (formerly known as Greenfield Chemical Holdings Limited) from 13 October 2009 to 21 January 2010. He was also a director of Mabuhay Holdings Corporation from 23 June 2009 to 27 July 2017 and IRC Properties, Inc., from 6 November 2009 to 27 July 2017 respectively, companies listed on The Philippine Stock Exchange, Inc..

Mr. Kong Muk Yin, aged 52, was appointed as a non-executive director and the company secretary of the Company on 12 June 2014. He is an executive director of China Medical & HealthCare Group Limited (formerly known as COL Capital Limited). From 4 November 2009 to 1 March 2016, he was an executive director of APAC Resources Limited. From 4 July 2007 to 24 June 2014, he was also an executive director and non-executive director of Alibaba Pictures Group Limited. He was an executive director of Landing International Development Limited (formerly known as Greenfield Chemical Holdings Limited) from 13 October 2009 to 21 January 2010. During September 2010 to September 2015, he was also a director of Mabuhay Holdings Corporation and IRC Properties, Inc., companies listed on The Philippine Stock Exchange, Inc..

Mr. Kong was graduated from City University of Hong Kong with a bachelor's degree in business studies. He is a fellow member of The Association of Chartered Certified Accountants, a member of the Hong Kong Institute of Certified Public Accountants and a Chartered Financial Analyst and he has extensive experience in corporate finance, financial management, accounting and auditing.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Chui Hong Sheung, *JP*, aged 68, was appointed as an independent non-executive director of the Company on 6 November 2015. Dr. Chui is the president of Gratia Christian College, a degree awarding institute registered under the Post Secondary Colleges Ordinance (Chapter 320 of the Laws of Hong Kong) since July 2015. He was graduated from The University of Hong Kong with a bachelor's degree in science general. Dr. Chui obtained a master degree in arts (education) from The Chinese University of Hong Kong and a doctor of philosophy degree from The University of New South Wales.

For the past 20 years, Dr. Chui has taken up various roles in different organisations such as Standing Committee of Disciplined Services Salaries and Conditions of Service and the HKSAR Buildings Appeal Tribunal Panel. Dr. Chui received the Badge of Honour conferred by the government of Hong Kong in January 1991. Dr. Chui is a Justice of Peace since July 2007.

Dr. Chui was the principal of Shun Tak Fraternal Association Lee Shau Kee College. From December 1996 to June 2013, he was also the president of Hang Seng School of Commerce and Hang Seng Management College and the president emeritus of Hang Seng Management College. Dr. Chui was an independent non-executive director of Landing International Development Limited (formerly known as Greenfield Chemical Holdings Limited) from August 2004 to September 2010.

Mr. Cheung Chi Wai Vidy, aged 58, was appointed as an independent non-executive director of the Company on 6 November 2015. Mr. Cheung was graduated from University of West London (formerly known as Ealing College of Higher Education) with a bachelor degree of laws. Mr. Cheung was admitted as a Barrister-at-law of England in November 1984 and as a Barrister-at-law of Hong Kong in May 1986. Mr. Cheung worked in the then Legal Department and the Department of Justice of the Government of Hong Kong as a crown counsel, senior crown counsel and senior government counsel respectively for the period from November 1985 to September 2009.

Mr. Cheung was an independent non-executive director of Eagle Legend Asia Limited (formerly known as Manta Holdings Company Limited) from June 2010 to April 2012.

Mr. Yue Kwai Wa Ken, aged 52, was appointed as an independent non-executive director of the Company on 6 November 2015. Mr. Yue is the chairman, chief executive officer and executive director of Roma Group Limited. He is also an independent non-executive director of China Starch Holdings Limited and Major Holdings Limited.

Mr. Yue was graduated from the British Columbia Institute of Technology in Canada with a diploma of technology in financial management accounting option and also obtained a bachelor degree of science from Upper Iowa University of the United States. He is a member of the American Institute of Certificate Public Accountants and a fellow member of the Colorado State Society of Certified Public Accountants. He was also an ordinary member of the Hong Kong Securities Institute. Mr. Yue has over 21 years of experience in accounting, auditing, corporate finance, business development, financial management, corporate advisory and valuation.

From August 2004 to January 2006, Mr. Yue was an independent non-executive director of Loulan Holdings Limited. He was also an executive director of Legend Strategy International Holdings Group Company Limited from July 2014 to November 2014.

The directors of the Company (the "Directors") present their annual report and the audited consolidated financial statements for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 30 to the consolidated financial statements. Details and respective analysis of the main business segments of the Group during the year are set out in note 5 to the consolidated financial statements. In addition, discussions on the Group's environmental policies and performance and the Group's key relationships with its employees, customers, suppliers and others that have a significant impact on the Group's success are provided in the Environmental, Social and Governance Report of this Report.

As far as the Board and the management are aware, the Group has, in all material aspects, complied with the laws and regulations that are applicable to our business operations during the year. The relevant laws and regulations that have a significant impact on the Company include, among others, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Hong Kong Companies Ordinance (Chapter 622), the Securities and Futures Ordinance, the Company Laws of the Cayman Islands and the laws and regulations in relation to its business including environmental protection, production safety, product quality, labour contracts, employee benefits, foreign exchange, taxation and intellectual property rights.

Further discussion and analysis as required by Schedule 5 to the Hong Kong Companies Ordinance can be found in the section of "Chairman's Statement" of this Report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2017 are set out in the consolidated statement of profit or loss on page 38.

During the year ended 31 December 2017, a dividend of HK$15,000,000 (2016: HK$15,000,000) was distributed to its shareholders.

The Board recommends the payment of a final dividend of HK$0.025 per share for the year ended 31 December 2017 (2016: HK$0.025 per share) amounting to HK$15,000,000 payable to the shareholders of the Company whose names appear on the Register of Members of the Company on Thursday, 14 June 2018.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 22 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 41.

PROPERTY, PLANT AND EQUIPMENT

Details of these and other movements in the property, plant and equipment of the Group during the year are set out in note 12 to the consolidated financial statements.

DIRECTORS AND SERVICE CONTRACTS

The Directors of the Company during the year and up to the date of this Report are:

Executive Directors:

Mr. Yuen Shu Wah *(Chairman)*
Mr. Ko Jack Lum *(Chief Executive Officer)*
Mr. Ng Kai On

Non-executive Directors:

Dato' Wong Peng Chong
Mr. Kong Muk Yin

Independent Non-Executive Directors:

Dr. Chui Hong Sheung, *JP*
Mr. Cheung Chi Wai Vidy
Mr. Yue Kwai Wa Ken

In accordance with Article 84 of the articles of association of the Company (the "Articles of Association"), Dato' Wong Peng Chong, Mr. Kong Muk Yin and Dr. Chui Hong Sheung, *JP* shall retire and, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting.

None of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

On 10 September 2012, the Group entered into a sale and purchase agreement with a company owned by Mr. Yuen Shu Wah to acquire two pieces of land located in the PRC at an aggregate cash consideration of RMB3,367,000 (equivalent to HK$4,154,000) (as disclosed in the section headed "Connected Transactions" in the prospectus dated 17 November 2015 issued by the Company). Deposit of RMB673,000 (equivalent to HK$831,000) was paid during the year ended 31 December 2012. The remaining balance of RMB2,694,000 was included as commitment as at 31 December 2016 and 2017, equivalent to HK$3,012,000 and HK$3,223,000 respectively. The purchase of these two pieces of land had not yet been completed up to 31 December 2017.

Save as disclosed above, no transactions, arrangements or contracts of significance, to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at 31 December 2017, the interests and short positions of the Directors and the chief executive of the Company and their associates in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Hong Kong (the "SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

Interest in associated corporation

Name of associated corporation	Name of Director	Capacity	Number of shares held	Percentage of issued share capital
Guang Ming Holdings Limited ("Guang Ming")	Mr. Yuen Shu Wah ("Mr. Yuen")	Beneficial Owner	2,865 shares (L) *(Note 1)*	28.65%
	Mr. Ko Jack Lum ("Mr. Ko")	Beneficial Owner	1,550 shares (L) *(Note 2)*	15.5%

L — represent the entity/individual's long position in the shares of the Company

Notes:

1. Guang Ming, the holding company of the Company. Mr. Yuen has associated corporation interest in long position of 2,865 ordinary shares of Guang Ming. Therefore, Mr. Yuen is deemed to have corporate interest of 28.65% of the Company.

2. Mr. Ko has associated corporation interest in long position of 1,550 ordinary shares of Guang Ming. Therefore, Mr. Ko is deemed to have corporate interest of 15.5% of the Company.

Further Note:

Each of Mr. Yuen and Mr. Ko has associated corporation interest in long position of 9,168,000 and 4,960,000 non-voting class A shares of Manfield Coatings Company Limited, an indirect wholly-owned subsidiary of the Company.

Save as disclosed above, as at 31 December 2017, none of the Directors, the chief executive of the Company nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into by the Group during the year or subsisted at the end of the year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares, underlying shares, or debentures of, the Company or any other body corporate.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2017, the following parties had interests or short positions in the shares and underlying shares of the Company as recorded in the register maintained by the Company pursuant to Section 336 of the SFO:

Long positions in the shares of the Company

Name of Shareholder	Capacity	Number of Shares held	Percentage of issued share capital of the Company
Mr. Lee Seng Hui ("Mr. Lee")	Held by controlled corporation	450,000,000 (L) *(Note 1)*	75%
Mezzo International Limited ("Mezzo")	Held by controlled corporation	450,000,000 (L) *(Note 1)*	75%
Guang Ming	Beneficial owner	450,000,000 (L) *(Note 1)*	75%
Ms. Chew Wai Ling ("Ms. Chew")	Held by spouse	450,000,000 (L) *(Note 2)*	75%

L — represent the entity/individual's long position in the shares of the Company

Notes:

(1) Guang Ming, approximately 51% owned by Mezzo, has corporate interest in long position of 450,000,000 ordinary shares of the Company. Mr. Lee maintains 100% beneficial interests in Mezzo. Accordingly, Mr. Lee is deemed to have corporate interest in long position of 450,000,000 ordinary shares of the Company.

(2) Ms. Chew is the spouse of Mr. Lee. Accordingly, Ms. Chew is deemed to have corporate interest in long position of 450,000,000 ordinary shares of the Company.

(3) As of 31 December 2017, the Company's total number of issued shares was 600,000,000.

Save as disclosed above, as at 31 December 2017, there were no other parties who had interests or short positions in the shares or underlying shares of the Company as recorded in the register maintained by the Company pursuant to Section 336 of the SFO.

CONTINUING CONNECTED TRANSACTIONS

As disclosed in the prospectus dated 17 November 2015 issued by the Company, on 13 January 2011, Teknos Coatings (Shanghai) Co., Ltd ("Teknos Coatings") and Manfield Teknos (Changzhou) Chemical Company Limited ("MT"), an indirect non-wholly-owned subsidiary of the Company, entered into the agreement ("Teknos Agreement") (which was amended and replaced by agreements dated 27 August 2012 and 3 December 2013 and supplemented by a deed of variation dated 17 June 2014 and a new agreement dated 4 May 2017) pursuant to which MT agreed to sell liquid coatings to Teknos Coatings. The price charged by MT for the sale of liquid coatings to Teknos Coatings is calculated based on a formula set out in the Teknos Agreement, which is calculated on a cost plus basis with an agreed markup rate of the cost taking into account raw material costs, packaging costs and production wages among other things, and is determined on an arm's length basis between Teknos Coatings and MT. In connection with the Teknos Agreement, the Group also purchased an insubstantial amount of raw materials from Teknos Group Oy ("Teknos") and Teknos Coatings (collectively "Teknos Group"). These are specific raw materials which are required for the manufacture of liquid coatings ordered by Teknos Coatings pursuant to the Teknos Agreement. The Group purchases such raw materials solely for the manufacture of liquid coatings for sale to Teknos Coatings under the Teknos Agreement. Since the pricing mechanism of the Teknos Agreement takes into account the cost of raw materials used in the manufacture of the goods, and, as mentioned above, the raw materials purchased by the Group from Teknos Group are solely used in the manufacture of products for Teknos Coatings pursuant to the Teknos Agreement, the cost of the raw materials is directly recovered as a component of the revenue the Group receive pursuant to the Teknos Agreement. Accordingly, the Group is not exposed to price fluctuations in such raw materials and as such, the Group does not source comparable quotes. The price paid by the Group to Teknos Group for the abovementioned raw materials was determined on an arm's length basis between MT and Teknos Group.

The aggregate amount of the sale of liquid coatings to Teknos Coatings and purchase of raw materials from Teknos Group (collectively "Teknos Group Transactions") for the year ended 31 December 2017 was HK$9,522,000 and HK$632,000 respectively.

Teknos is a 40% substantial shareholder of MT, an indirect non-wholly owned subsidiary of the Company, is a connected person of our Company. Teknos Coatings is a wholly-owned subsidiary of Teknos, and therefore is an associate of Teknos and a connected person at the Company's subsidiary level. Given that Teknos and Teknos Coatings are connected persons at the Company's subsidiary level, the Teknos Group Transactions constitute continuing connected transactions of the Company which are subject to the requirements of reporting, annual review and announcement but exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Pursuant to the requirement under Chapter 14A of the Listing Rules, the Independent Non-executive Directors of the Company have reviewed the continuing connected transactions regarding the Teknos Group Transactions and have confirmed that the transactions were entered into: (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms; and (iii) in accordance with the terms of the Teknos Agreement that are fair and reasonable and in the interests of the Group and the shareholder of the Company as a whole. The Company's auditor was engaged to report on the continuing connected transaction regarding the Teknos Group Transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Company's auditor has issued its unqualified letter confirming that nothing has come to its attention that cause it to bring to the attention of the Board pursuant to the requirement under Chapter 14A of the Listing Rules. A copy of the Company's auditor's letter has been provided by the Company to the Stock Exchange.

PERMITTED INDEMNITY

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the year. The Company has taken out and maintained appropriate insurance cover in respect of potential legal actions against the Directors and officers.

NON-COMPETITION UNDERTAKING

Mr. Yuen Shu Wah and Mr. Ko Jack Lum (each being a member of the senior management of the Company) and Guang Ming Holdings Limited, Mezzo International Limited and Mr. Lee Seng Hui (each being a controlling shareholder of the Company), as covenanters (collectively, the "Covenanters"), have entered into a deed of non-competition in favour of the Company on 6 November 2015 (the "Non-competition Deed"), pursuant to which each of the Covenanters has irrevocably and unconditionally undertaken to and covenant with the Company (for itself and for the benefit of the members of the Group) that during the continuation of the Non-competition Deed that each of the Covenanters shall not carry on, engage in, invest or be interested or otherwise involved in any business that is similar to or in competition with or is likely to be in competition with any business carried on by any member of the Group from time to time or in which any member of the Group is engaged or has invested or is otherwise involved in any territory that the Group carries on its business from time to time.

The controlling shareholders of the Company have provided a confirmation to the Company confirming of their compliance with the Non-competition Deed for the year ended 31 December 2017.

The Independent Non-executive Directors of the Company have also reviewed and were satisfied that each of the controlling shareholders of the Company had complied with the Non-Competition Deed.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2017.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2017, the aggregate amount of turnover attributable to the Group's five largest customers were approximately 39.0% of the Group's total turnover and our largest customers accounted for approximately 28.3% of the Group's total turnover.

The aggregate purchases attributable to the Group's five largest suppliers were approximately 18.3% and the purchases attributable to the Group's largest supplier was approximately 5.2% during the year.

None of the Directors or any of their close associates or any shareholders of the Company (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) has any interest in any of the Group's five customers and five largest suppliers.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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 Rules Governing the Listing of Securities on the Stock Exchange. The Company considers all of the Independent Non-executive Directors are independent.

EMOLUMENT POLICY

The emolument policy of the general staff of the Group is set up by the management of the Group on the basis of their merit, qualifications and competence.

The emoluments of the Directors and senior management of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Memorandum and Articles of Association or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

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

DONATIONS

During the year, the Group made donations amounting to approximately HK$1,959,000 (2016: HK$1,728,000).

AUDITOR

A resolution will be submitted to the forthcoming Annual General Meeting to re-appoint Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Yuen Shu Wah
Chairman

Hong Kong, 20 March 2018

CORPORATE GOVERNANCE PRACTICES

The board of directors of the Company (the "Board") believes that corporate governance is essential to the success of the Company and the enhancement of shareholders' value. Accordingly, the Company has adopted various measures to ensure that a high standard of corporate governance is maintained.

Throughout the year ended 31 December 2017, the Company has applied the principles and complied with the code provisions set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code"). As listed out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The current practices will be reviewed and continuously updated.

BOARD OF DIRECTORS

The Board currently comprises eight directors (the "Directors") in total, with three Executive Directors, two Non-Executive Directors and three Independent Non-Executive Directors.

The composition of the Board during the year under review and up to the date of this Report is set out as follows:

Executive Directors:

Mr. Yuen Shu Wah *(Chairman)*
Mr. Ko Jack Lum *(Chief Executive Officer)*
Mr. Ng Kai On

Non-Executive Directors:

Dato' Wong Peng Chong
Mr. Kong Muk Yin

Independent Non-Executive Directors:

Dr. Chui Hong Sheung, *JP*
Mr. Cheung Chi Wai Vidy
Mr. Yue Kwai Wa Ken

The Board members have no financial, business, family or other material/relevant relationships with one another. Such balanced Board composition is formed to ensure strong independence exists across the Board.

Throughout the year, the Board has at least one-third in number of its members comprising Independent Non-Executive Directors under Rule 3.10A of the Listing Rules and at least one of the Independent Non-Executive Directors possesses appropriate professional qualifications or accounting or related financial management expertise under Rule 3.10 of the Listing Rules.

The Board has received from each Independent Non-Executive Director an annual confirmation of his independence and considers that all the Independent Non-Executive Directors are independent under the guidelines set out in Rule 3.13 of the Listing Rules. The biographical details of the Directors are set out in pages 7 to 9 of this Report.

During the year, 4 Board meetings were held and the attendance of each Director at the Board meetings is set out as follows:

Name of Directors	Number of Board meetings attended/held	Attendance rate
Mr. Yuen Shu Wah *(Chairman)*	4/4	100%
Mr. Ko Jack Lum	4/4	100%
Mr. Ng Kai On	4/4	100%
Dato' Wong Peng Chong	4/4	100%
Mr. Kong Muk Yin	4/4	100%
Dr. Chui Hong Sheung, *JP*	4/4	100%
Mr. Cheung Chi Wai Vidy	4/4	100%
Mr. Yue Kwai Wa Ken	4/4	100%

The schedule of Board meetings for a year is planned in the preceding year. At least 14 days notice of all Board meetings is given to all Directors and they can include matters for discussion in the agenda if the need arises. The company secretary of the Company (the "Company Secretary") assists the Chairman in preparing the agenda for meetings and ensures that all applicable rules and regulations are complied with. The agenda and the accompanying Board papers are sent to all Directors at least 3 days before the date of every Board meeting so that the Directors have time to review the documents.

Every Board member is entitled to have access to Board papers and related materials and has unrestricted access to the advice and services of the Company Secretary, and has the liberty to seek external professional advice if so required. The Company Secretary continuously updates all Directors on the latest development of the Listing Rules and other applicable regulatory requirements to ensure compliance and upkeep of good corporate governance practices.

The Board is responsible for formulating overall strategy, monitoring and controlling the performance of the Group. In addition to its overall supervisory role, the Board also retains specific responsibilities such as approving specific senior appointments, approving financial accounts, recommending dividend payments, approving policies relating to the Board's compliance, etc. whilst managing the Group's business is the responsibility of the management of the Group (the "Management").

When the Board delegates aspects of its management and administration functions to the Management, it has given clear directions, to the powers of the Management, in particular, with respect to the circumstances where the Management shall report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company.

The Chairman met with the Non-executive Directors (including the Independent Non-executive Directors) without the Executive Directors being present during the year.

Training

Each newly appointed Director has received comprehensive, formal and tailored induction on appointment so as to ensure that he has appropriate understanding of the business and operations of the Group and that he is fully aware of his responsibilities under the Listing Rules, legal and other regulatory requirements.

During the year, the Company has arranged training for Directors to provide regular updates relating to the roles, functions and duties, corporate governance and change in regulatory requirements so as to enable the Directors to properly discharge their duties under the code provision A.6.5 of the CG Code. The Company has received confirmation from all Directors of their respective training records for the year ended 31 December 2017.

Directors' and Officers' Liabilities Insurance

The Company has arranged appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against the Directors and officers of the Company and its subsidiaries arising out of corporate activities of the Group under the code provision A.1.8 of the CG Code.

Roles of Chairman and Chief Executive Officer

The code provision A.2.1 of the CG Code stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. Mr. Yuen Shu Wah, being the Chairman of the Board, is primarily responsible for the leadership of the Board, ensuring that (i) all significant policy issues are discussed by the Board in a timely and constructive manner; (ii) all Directors are properly briefed on issues arising at Board meetings; and (iii) the Directors receive accurate, timely and clear information. The functions of the Chief Executive Officer are performed by Mr. Ko Jack Lum, the Chief Executive Officer of the Company, who is responsible or the day-to-day management of the Group's business. The functions and responsibilities between the Chairman and the Chief Executive Officer are clearly segregated.

The list of Directors and their roles and functions are available on the websites of the Stock Exchange and the Company at http://www.irasia.com/listco/hk/manfield/.

Appointment and Re-election of Directors

Each of the Executive Directors has entered into a service contract with the Company and each of the Non-Executive Directors and Independent Non-Executive Directors has entered into a letter of appointment with the Company and appointed for a specific term, subject to retirement by rotation and re-election at least once every three years at the annual general meeting of the Company (the "AGM") in accordance with the articles of association of the Company (the "Articles of Association"). Any new Director appointed by the Board to fill a causal vacancy shall be subject to re-election by shareholders at the next following AGM after appointment.

Board Diversity Policy

The Board has adopted a board diversity policy which sets out the approach to achieve a sustainable and balanced development of the Company and also to enhance the quality of performance of the Company under the code provision A.5.6 of the CG Code.

The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Corporate Governance Function

The Board has adopted the written terms of reference on corporate governance function so as to assist the Board in supervising the management of its business and office of the Group. During the year, the Board has performed the corporate governance duties in accordance with its terms of reference.

The duties of the Board in respect of corporate governance function are summarized as follows:

(i) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

(ii) to review and monitor the training and continuous professional development of Directors and senior management;

(iii) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(iv) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

(v) to review the Company's compliance with the code provisions as set out in the CG Code and its disclosure requirements in the Corporate Governance Report.

BOARD COMMITTEES

The Board has established various committees to assist it in carrying out its responsibilities. The Board has appointed four Board committees, viz, the Remuneration Committee, Nomination Committee, Audit Committee and Executive Committee to oversee particular aspects of the Group's affairs. Each of the committees has defined terms of reference setting out its duties, powers and functions. The committees report regularly to the Board and, where appropriate, make recommendations on matters discussed.

Remuneration Committee

The Remuneration Committee was established on 6 November 2015 with its written terms of reference. The terms of reference of the Remuneration Committee are available on the websites of the Stock Exchange and the Company at http://www.irasia.com/listco/hk/manfield/.

The Remuneration Committee comprises five members including two Executive Directors namely, Mr. Yuen Shu Wah and Mr. Ko Jack Lum and three Independent Non-Executive Directors, namely Dr. Chui Hong Sheung, *JP*, Mr. Cheung Chi Wai Vidy and Mr. Yue Kwai Wa Ken. The Chairman of the Remuneration Committee is Mr. Cheung Chi Wai Vidy. The composition of the Remuneration Committee has complied with the requirements as set out in Rule 3.25 of the Listing Rules that a majority of the members of the Remuneration Committee should be Independent Non-Executive Directors and chaired by an Independent Non-Executive Director.

The meeting of the Remuneration Committee shall be held at least once a year. During the year, one meeting was held and the attendance of each member at the meeting is set out as follows:

Name of members	Number of meeting(s) attended/held	Attendance rate
Mr. Cheung Chi Wai Vidy *(Chairman)*	1/1	100%
Mr. Yuen Shu Wah	1/1	100%
Mr. Ko Jack Lum	1/1	100%
Dr. Chui Hong Sheung, *JP*	1/1	100%
Mr. Yue Kwai Wa Ken	1/1	100%

The remuneration policy of the Group is to ensure all its employees are remunerated in line with market terms and individual performance.

The major roles and functions of the Remuneration Committee are as follows:

(i) to review annually and recommend to the Board the overall remuneration policy and structure for the Directors and senior management;

(ii) to review annually the performance of the Executive Directors and senior management and recommend to the Board specific adjustments in remuneration and/or reward payments;

(iii) to review and recommend the compensation payable to Executive Directors relating to any loss or termination of their office or appointment;

(iv) to review and recommend compensation arrangements relating to dismissal or removal of Directors for misconduct; and

(v) to responsible for establishing formal and transparent procedures for developing remuneration policy and structure to ensure no Director or any of his associates is involved in deciding his own remuneration.

The Remuneration Committee has adopted the model that it will review the proposals made by the Management on the remuneration of Executive Directors and senior management, and make recommendations to the Board. The Board will have final authority to approve the recommendations made by the Remuneration Committee.

Nomination Committee

The Nomination Committee was established on 6 November 2015 with its written terms of reference. The terms of reference of the Nomination Committee are available on the websites of the Stock Exchange and the Company at http://www.irasia.com/listco/hk/manfield/.

The Nomination Committee comprises five members including two Executive Directors, namely Mr. Yuen Shu Wah and Mr. Ko Jack Lum and three Independent Non-Executive Directors, namely Dr. Chui Hong Sheung, *JP*, Mr. Cheung Chi Wai Vidy and Mr. Yue Kwai Wa Ken. The Chairman of the Nomination Committee is Mr. Yuen Shu Wah.

The meeting of the Nomination Committee shall be held at least once a year. During the year, one meeting was held and the attendance of each member at the meeting is set out as follows:

Name of members	Number of meeting(s) attended/held	Attendance rate
Mr. Yuen Shu Wah *(Chairman)*	1/1	100%
Mr. Ko Jack Lum	1/1	100%
Dr. Chui Hong Sheung, *JP*	1/1	100%
Mr. Cheung Chi Wai Vidy	1/1	100%
Mr. Yue Kwai Wa Ken	1/1	100%

The Nomination Committee is responsible for formulating nomination policy for the Board's consideration and implement the Board's approved nomination policy.

The major roles and functions of the Nomination Committee are as follows:

(i) to review and monitor the structure, size and composition (including the skills, knowledge, experience and diversity of perspectives) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(ii) to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

(iii) to assess the independence of Independent Non-Executive Directors;

(iv) to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the Chief Executive Officer; and

(v) to review and monitor policy concerning diversity of Board members and make recommendations on any proposed changes to the Board.

Audit Committee

The Audit Committee was established on 6 November 2015 with its written terms of reference. The terms of reference of the Audit Committee are available on the websites of the Stock Exchange and the Company at http://www.irasia.com/listco/hk/manfield/.

The Audit Committee comprises three Independent Non-Executive Directors, namely Mr. Yue Kwai Wa Ken, Dr. Chui Hong Sheung, *JP* and Mr. Cheung Chi Wai Vidy. The Chairman of the Audit Committee is Mr. Yue Kwai Wa Ken. The composition of the Audit Committee has complied with the requirements as set out in Rule 3.21 of the Listing Rules that majority of the members of the Audit Committee should be Independent Non-Executive Director.

The meeting of the Audit Committee shall be held at least twice a year. During the year, two meetings were held and the attendance of each member at the meetings is set out as follows:

Name of members	Number of meeting(s) attended/held	Attendance rate
Mr. Yue Kwai Wa Ken *(Chairman)*	2/2	100%
Dr. Chui Hong Sheung, *JP*	2/2	100%
Mr. Cheung Chi Wai Vidy	2/2	100%

During the year and up to date of this Report, the Audit Committee had performed the following works:

(i) reviewed the financial reports for the six months ended 30 June 2017 and for the year ended 31 December 2017;

(ii) reviewed the effectiveness of the risk management and the internal control systems;

(iii) reviewed the external auditor's statutory audit plan and engagement letters;

(iv) reviewed the management letter from the external auditor in relation to the audit of the Group for the year ended 31 December 2017; and

(v) reviewed and recommended for approval by the Board the audit scope and fees for the year ended 31 December 2017.

The major roles and functions of the Audit Committee are as follows:

(i) to consider the appointment, re-appointment and removal of the external auditor, the audit fees, and any questions of resignation or dismissal of the external auditor of the Group;

(ii) to discuss with the external auditor the nature and scope of the audit;

(iii) to review the interim and annual financial statements before submission to the Board;

(iv) to discuss problems and reservations arising from the interim review and final audit, and any matters the external auditor may wish to discuss;

(v) to review the external auditor's management letter and management's response; and to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;

(vi) to review the Group's financial controls, internal controls and risk management systems to ensure that they are appropriate and functioning properly; and

(vii) to consider any findings of major investigations of internal control and risk management matters and management's responses.

Executive Committee

The Executive Committee was established on 7 December 2016 with its written terms of reference. The Committee comprises three Executive Directors, namely Mr. Yuen Shu Wah, Mr. Ko Jack Lum and Mr. Ng Kai On. The Chairman of the Executive Committee is Mr. Yuen Shu Wah.

The Executive Committee is vested with all the general powers of management and control of the activities of the Group as are vested in the Board, save for those matters which are reserved for the Board's decision and approval pursuant to its written terms of reference. The Committee will meet as and when necessary to discuss the operating affairs of the Group and also deals with matters by way of circulation.

AUDITOR'S REMUNERATION

During the year ended 31 December 2017 under review, the remuneration paid or payable to the Group's external auditor, Messrs. Deloitte Touche Tohmatsu, is set out as follows:

Services rendered	Fees paid/ payable HK$'000
Audit services	1,180
Non-audit services	576
	1,756

RISK MANAGEMENT AND INTERNAL CONTROL

The main features of the risk management and internal control systems are to provide a clear governance structure, policies and procedures, as well as reporting mechanism to facilitate the Group to manage it risks across business operations.

The Group has established a risk management framework, which consists of the Board, the Audit Committee and the Risk Management Taskforce. The Board determines the nature and extent of risks that shall be taken in achieving the Group's strategic objectives, and has the overall responsibility for monitoring the design, implementation and the overall effectiveness of risk management and internal control systems.

The Group has formulated and adopted the Risk Management Policy in providing direction in identifying, evaluating and managing significant risks. At least on an annual basis, the Risk Management Taskforce identifies risks that would adversely affect the achievement of the Group's objectives, and assesses and prioritizes the identified risks according to a set of standard criteria. Risk mitigation plans and risk owners are then established for those risks considered to be significant.

In addition, the Group has engaged an external professional advisor to assist the Board and the Audit Committee in ongoing monitoring of the risk management and internal control systems of the Group. Deficiencies in the design and implementation of internal controls are identified and recommendations are proposed for improvement. Significant internal control deficiencies are reported to the Audit Committee and the Board on a timely basis to ensure prompt remediation actions are taken.

The key processes that have been established in reviewing the effectiveness of the risk management and internal control systems include the following:

a. The Remuneration Committee was established to ensure all the Directors and the senior management of the Group are remunerated in line with market terms and individual performance.

b. The Audit Committee reviews internal control issues identified by external auditor, external professional advisor, regulatory authorities and management, and evaluates the adequacy and effectiveness of the Group's risk management and internal control systems. To further enhance control awareness, the Group has also approved launching a whistleblowing policy for employees to raise any concerns about possible improprieties in any matter related to the Group.

c. The Executive Committee was established to ensure the effectiveness of the Group's daily operations and that the Group's operations are in accordance with the corporate objectives, strategies and the annual budget as well as the policies and business directions that have been approved.

d. The corporate reporting functions are delegated to the accounting department in terms of proper and regular reviews on the deployment of resources and financial reporting systems. The corporate governance practices and compliance with the Listing Rules, Securities and Futures Ordinance, (Chapter 571 of the Laws of Hong Kong) and other applicable regulations are delegated to the company secretarial department.

e. Every newly appointed director was provided with a comprehensive handout detailing the responsibilities and duties of being a director of the Company. In particular highlighting the respective applicable rules and regulation, including the Listing Rules, which a director should aware and be informed on the first occasion of his appointment with the Company.

f. The Company has adopted the code of conduct regarding Directors' securities transactions as set out in the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 of the Listing Rules (the "Model Code"). A copy of the Model Code was sent to each Director and the relevant employees of the Group who are required to be provided under the Model Code. Enquiries have been made with Directors and all the Directors have confirmed that they have complied with the required standards set out in the Model Code throughout the year ended to 31 December 2017.

Risk management report and internal control report are submitted to the Audit Committee and the Board at least once a year. The Board considers the Group's risk management and internal control systems are effective.

The risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

PROCEDURES AND INTERNAL CONTROLS FOR THE HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Group complies with requirements of the Securities & Futures Ordinance ("SFO") and the Listing Rules. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the Safe Harbours as provided in the SFO. Before the information is fully disclosed to the public, the Group ensures the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensure that information contained in announcements is not false or misleading as to a material fact, or false or misleading through the omission of a material fact in view of presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

ACCOUNTABILITY AND AUDIT

The Directors are responsible for overseeing the preparation of accounts of each financial period, which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. In preparing the accounts for the year ended 31 December 2017, the Directors have selected suitable accounting policies and have applied them consistently, adopted appropriate Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards which are pertinent to its operations and relevant to the financial statements, made judgments and estimates that are prudent and reasonable, and have prepared the accounts on the going concern basis.

SHAREHOLDERS' COMMUNICATION

The Company has established a communication policy with shareholders and external parties and has maintained different communication channels with its shareholders through the publication of annual and interim reports, circulars and announcements. During the year ended 31 December 2017, an annual general meeting (the "AGM") was held and the attendance of each Director at the AGM is set out as follows:

Name of Directors	Number of AGM attended/held
Mr. Yuen Shu Wah *(Chairman)*	1/1
Mr. Ko Jack Lum	1/1
Mr. Ng Kai On	1/1
Dato' Wong Peng Chong	1/1
Mr. Kong Muk Yin	1/1
Dr. Chui Hong Sheung, *JP*	1/1
Mr. Cheung Chi Wai Vidy	1/1
Mr. Yue Kwai Wa Ken	1/1

The AGM provides a useful forum for shareholders to exchange views with the Board. At the Company's last AGM, Chairman of the Board as well as Chairman of the Audit Committee, Remuneration Committee and Nomination Committee were present to answer shareholders' questions.

Separate resolutions are proposed at the general meeting for each substantial issue including the re-election of the retiring Directors.

The Company's last AGM was held on 21 June 2017 and notice of the AGM was sent to shareholders at least 20 clear business days prior to the meeting. The Chairman explained the procedures for conducting a poll again at the beginning of the meeting and revealed the level of proxies voted in respect of each resolution. All shareholders are encouraged to attend the general meetings or to appoint proxies to attend and vote at the meetings on their behalf if they are unable to attend the meetings.

The forthcoming annual general meeting will be held on Wednesday, 6 June 2018, the notice of which will be sent to shareholders at least 20 clear business days before the meeting. An explanation of the detailed procedures for conducting a poll will be provided to the shareholders at the commencement of the meeting. The Chairman will answer any questions from shareholders regarding voting by way of a poll. The poll results will be published in accordance with the requirements of the Listing Rules. All shareholders are encouraged to attend the general meetings or to appoint proxies to attend and vote at the meetings on their behalf if they are unable to attend the meetings.

SHAREHOLDERS' RIGHTS

Right to put enquiries to the Board

Shareholders should direct their enquiries about their shareholdings to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong. Other shareholders' enquiries can be directed to the head office and principal place of business of the Company in Hong Kong as set out in the Corporation Information section of this Report for the attention of the Company Secretary.

Right to convene special general meeting

Pursuant to Article 58 of the Articles of Association, an extraordinary general meeting can be convened on the requisition of any one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the Company Secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition.

If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

The requisition must be signed by the requisitionists and deposited at the registered office of the Company at Cricket Square, Hutchins Drive, P.O.Box 2681, Grand Cayman KY1-1111, Cayman Islands or the head office and principal place of business in Hong Kong at Block L, 9th Floor, On Wah Industrial Building, 41–43 Au Pui Wan Street, Fo Tan, Shatin, Hong Kong of the Company for the attention of the Company Secretary.

Right to put forward proposals at general meetings

Shareholders who wish to move a resolution may request the Company to convene a general meeting in accordance with the procedures set out in the preceding paragraph. Shareholders can also send enquiries and proposals putting forward for shareholders' consideration at shareholders' meetings to the Board in writing to the head office and principal place of business of the Company in Hong Kong whose contact details are as follows or directly by raising questions at the general meeting of the Company.

Block L
9th Floor, On Wah Industrial Building
41–43 Au Pui Wan Street
Fo Tan, Shatin
Hong Kong

INVESTOR RELATIONS

The Company maintains a website at http://www.irasia.com/listco/hk/manfield/ where information and updates on the list of Directors and their roles and functions, constitutional documents, terms of reference of the Remuneration Committee, the Nomination Committee and the Audit Committee, procedures for nomination of Directors for election, announcements, circulars and reports released to the Stock Exchange and other information are posted. Information on the Company's website will be updated from time to time.

Throughout the year and up to the date of this Report, there was no significant change in the Company's constitutional documents.

On behalf of the Board
Manfield Chemical Holdings Limited

Yuen Shu Wah
Chairman

Hong Kong, 20 March 2018

Manfield Chemical Holdings Limited (the "Company", "We" and "Our") presents this Environmental, Social and Governance ("ESG") report (the "Report") for the year ended 31 December 2017 ("Reporting Period"), in accordance with Appendix 27 Environmental, Social and Governance Reporting Guide (the "ESG Guide") of the Rules Governing the Listing of Securities on the Main Board of The Hong Kong Stock Exchange Limited.

The Company is principally engaged in the manufacture of customized liquid and powder coatings, and mainly provides customers from the toy and consumer electronics industries with customized coatings for their products.

The Board of Directors of the Company is responsible for our ESG strategy and reporting. Our management is responsible for monitoring and managing ESG-related risks and the effectiveness of the ESG management systems.

REPORTING SCOPE

The ESG disclosures contained in this Report cover the major coating manufacturing facilities in Guangzhou and Shenzhen in the People's Republic of China ("PRC"). The Report only discloses ESG information which the Company has direct influence and control on it.

MATERIALITY ASSESSMENT

We have engaged our business functions to identify relevant ESG issues and to assess their materiality to our business as well as our stakeholders, through reviewing our operations and holding internal discussions. Disclosures relating to the material ESG issues identified have been included in this Report pursuant to the requirements of the ESG Guide. Material ESG issues identified are as follows:

ESG Aspect	Material ESG issues
A. Environmental	
A1 Emissions	• Waste Management
	• Wastewater Discharge
	• Air Emissions
	• Greenhouse Gas Emissions
A2 Use of Resources	• Energy Consumption
	• Water Consumption
	• Use of Packaging Material
A3 The Environment and Natural Resources	• Dust
	• Noise
	• Environmental Coating Products
B. Social	
B1 Employment	• Employment Policies and Equal Opportunity
B2 Health and Safety	• Workplace Health and Safety
B3 Development and Training	• Staff Training and Development
B4 Labour Standards	• Anti-Child and Forced Labour
B5 Supply Chain Management	• Green Procurement
B6 Product Responsibility	• Quality Assurance
	• Customer Service
B7 Anti-corruption	• Anti-Corruption
B8 Community Investment	• Social Responsibility

ENVIRONMENTAL

A1 Emissions

The Company strives to continuously improve the environmental performance through the implementation of control and monitoring measures. Based on the environmental factors identified by business units, i.e. air emissions, waste water discharge, use of energy, solid waste disposal, corresponding control and monitoring procedures have been designed and implemented for mitigating the respective environmental impacts. We are also committed to complying with the relevant environmental laws and regulations on the discharge of wastes and emissions.

Our waste and emission reduction initiatives are constantly communicated with employees for the effective implementation of measures. We understand that employees' support is the prerequisite on achieving our environmental target. Regular training is organized in order to assist the employees in developing their awareness on protecting the environment.

During the Reporting Period, we have not identified any material non-compliance of environmental laws and regulations.

Waste Management

In our production process, various hazardous wastes are generated, including coating scrap, sludge from wastewater treatment plant and spent solvent. During the Reporting Period, the quantity of waste disposed was as follows:

Type	Unit	Quantity
Hazardous waste	Tonnes	5.73
Non-hazardous waste	Tonnes	16.10

The Company has established guidelines on handling hazardous wastes. Hazardous wastes are strictly segregated from non-hazardous wastes for proper collection. Hazardous wastes have been clearly identified and stored in a segregated area. Licensed waste collector in the PRC has been engaged to collect the hazardous wastes. The Company has established a quality control mechanism specializing on investigating the measures to reduce coating scrap.

On non-hazardous waste, the Company has educated employees on waste treatment and reduction principles. Waste has been sorted and recycled by qualified waste collectors. Employees have been encouraged to reuse materials, for example containers.

Wastewater Discharge

According to government regulations, enterprises and institutions that discharge pollutants directly or indirectly into the water shall obtain the Pollutants Discharge Permit and pay pollutant discharge fees based on the types and quantity of the wastewater discharged.

The Company has constructed wastewater treatment plants in our production facilities to collect waste water from the wastewater pipelines while uncontrolled discharge is strictly prohibited. After the wastewater treatment, the pollutants in wastewater are maintained at the concentration level under the requirement specified by the government authority. The Company has implemented real-time monitoring system to examine the pollutant concentration of wastewater. We also perform regular maintenance on the machinery of wastewater treatment plants. To reduce the quantity of wastewater discharge, filtered and treated wastewater is circulated back to production facilities for reuse.

Due to the enhanced waste water treatment mechanism, the amount of waste water discharged has reduced from 9.902 cubic meter in Financial Year 2016 to 8.853 cubic meter during the Reporting Period.

Air Emissions

Air pollutants are emitted from the delivery activities of company-owned vehicles. Our production machineries are powered by electricity, hence their air emissions are considered minimal. During the Reporting Period, the quantity of air pollutants emitted from vehicles[1] was as follows:

Type	Unit	Quantity
Nitrogen Oxides	Tonnes	2.08
Sulphur Oxides	Tonnes	0.0046
Particulate Matter	Tonnes	0.15

In mitigating the impact of air pollutant emissions, the Company has implemented measures in reducing the amount of air pollutants emitted to the neighbourhood, including dust, organic volatile gas, and exhaust gas from machineries. Emission controlling measures have been implemented to re-capture air pollutants by chemical and physical means, such as thermal oxidizers, water spray and air pumps.

Motor vehicles have been examined regularly on the exhaust gas emission. Clean fuels have been used in order to reduce the pollutants emitted from mobile source combustions.

In addition, the PRC Government promotes the use of water-based coatings and encourages the production, sales and use of low-toxic and low-volatile organic compounds (VOCs) solvents and advance measures for the treatment of VOC pollution. The Company has actively participated in these initiatives.

Greenhouse Gas Emissions

The Company emits greenhouse gas ("GHG") mainly from the consumption of electricity and fuel. During the Reporting Period, the Company emitted 3,023.35 tonnes CO_2 equivalent of GHG[2], and the emission intensity was 0.46 tonne CO_2 equivalent per square meter floor area of production facilities. Regarding the initiatives to reduce GHG emissions, please refer to the section "Energy Consumption".

A2 Use of Resources

The Company believes that resources conservation is everyone's responsibility in maintaining the sustainability of the society. To conserve resources, we strive to improve the efficiency of resources consumption, and minimise wastage in the production process. During the production process, electricity and fuel, water, raw materials, and office consumables are consumed, and the Company has established Resources and Energy Management Procedures in controlling the use of resources.

For raw materials and office consumables, user departments should set target and limit for consumption based on the production level, and improve the production techniques for efficient use of resources. Production sections should enforce tight quality control to reduce wastage during production. We are discovering the feasibility to use renewable raw materials in our production.

Energy Consumption

Majority of the Company's energy consumption is on electricity, which is used to support the operations of manufacturing machinery, indoor lighting and air-conditioning. The Company also consumes petrol on the delivery and distribution operations of vehicles.

1 The emission data of air pollutants was calculated with reference to "Reporting Guideline on Environmental KPIs" published by The Hong Kong Stock Exchange Limited.

2 Greenhouse gas emissions was calculated with reference to the "Greenhouse Gas Protocol" published by the World Business Council for Sustainable Development and World Resources Institute, "Reporting Guideline on Environmental KPIs" published by The Hong Kong Stock Exchange Limited, "中國化工生產企業温室氣體排放核算方法與報告指南（試行）" and "陸上交通運輸企業温室氣體排放核算方法與報告指南（試行）" published by the National Development and Reform Commission of the PRC.

During the Reporting Period, the amount of energy consumption and their respective intensity was as follows:

Energy Type	Unit	Amount	Intensity (per square meter floor area)
Electricity	kWh	3,427,156	518.48
Diesel	Liter	268,564	40.63
Petrol	Liter	20,710	3.13
Natural Gas	Cubic Meter	41,918	6.34

In the use of energy and fuel, machinery consuming considerable energy has been closely monitored. User departments have also summarised the use of energy on monthly basis, with investigating significant variance noted. Maintenance is performed regularly to prevent the occurrence of abnormal operations and inefficient fuel consumption. In offices, specified staff have been assigned to turn off unnecessary energy-consumption appliances after working hours.

Water Consumption

Water is rapidly consumed during the production process. During the Reporting Period, the Company purchased 51,345 cubic meter of fresh water, and the respective consumption intensity was 7.77 cubic meter per square meter floor area of production facilities.

We have implemented water recycling system with treating wastewater for reuse purpose. Filtered wastewater from production is used at floor cleaning. Water usage is monitored by user departments to investigate any abnormal usage. We also encourage our employee to reuse domestic water for washing and cleaning.

Use of Packaging Material

The Company mainly consumes metal containers, plastic containers and plastic bag as packaging materials of our coating products. During the Reporting Period, the Company purchased 702.88 tonnes of packaging materials for selling of coating products. We aim to reduce the wastage of packaging material during the production and packing process. We also continuously examine the opportunity of using stronger, thinner and lighter packaging materials from the market.

A3 The Environment and Natural Resources

The Company has established the Environmental Factor Identification and Evaluation Control Procedures, aiming to accurately and thoroughly identify the environmental factors in our business activities, products, and services. After the identification, we have developed a set of evaluation criteria in determining the materiality of the environmental factors to our business. The material environmental factors identified are recorded in an Environmental Factor Register for circulation and monitoring. By adopting the procedures, we minimize the environmental impact, and ensure the compliance with related environmental laws and regulations.

Shenzhen Pinefield Chemical Enterprises Company Limited and Manfield (Guangzhou) Innovative Materials Limited (formerly known as Springfield Chemical (Guangzhou) Company Limited) (both subsidiaries of the Company) were awarded the ISO 14001:2004 Certificate (relating to environmental management systems). It helps the Company to achieve the intended outcomes of its environmental management system, which provides value for the environment, the Company itself and interested parties.

Dust

During the transfer and delivery of production raw materials, dust is emitted and could be blown to the surrounding area. In order to reduce dust emissions, the production facilities should adopt dust reduction measures. Air filtering system has been installed at conveyor, hopper and other equipment used for transferring, loading and unloading raw materials. Dust in the air is filtered through bag filters and released to the dust collector. Water spraying has been applied in dusty environment.

Noise

Operations of production machinery generates noise, which may cause disturbance to the neighborhood. To reduce the noise intensity of our production facilities, production process with high noise intensity has been carried in a fully closed area far from residential area. During procurement process, machinery with low noise emission level is preferred. Maintenance has also been conducted on a regular basis on production machinery.

Environmental Coating Products

The Company has conducted product re-engineering to produce environmental friendly coating products. Traditional coating products may contain toxic chemicals and VOCs, which may cause undesirable effects to human health. The new water-based coatings use low-toxic and low-VOCs solvents, which has a significantly lower VOCs content than the traditional solvent-based coating products.

We also have enhanced the durability and abrasion resistance of our products, hence extending the life of decoration and reducing the maintenance cost. Our coating products also possess reflective characteristic, which reflect outdoor sunlight and reduce indoor temperature.

SOCIAL

B1 Employment

Human resources are our foundation in supporting the development of the Company. Hence, we established the Human Resources Management Policy to fulfil our vision on people-oriented management and realising the full potential of employees. The human resources management procedures are formally documented, covering resources planning, performance evaluation, training, recruitment, resignation, transfer, compensation and welfare, employee satisfaction survey, etc.

The Company has established objective performance indicators for annual performance evaluation. Supervisor discusses the performance with employee in facilitating an effective two-way communication for advancement. Based on the evaluation result, we offer rewards to employees who perform well in order to encourage their continuous improvement.

To understand the working satisfaction of our employees, we established various channel to communicate with them, including seminar for new joiners, mailbox for recommendation, and employee satisfaction survey. On a semi-annual basis, survey forms are distributed in understanding employees' opinions on various areas such as work responsibility, working environment, organisation and employee relationship, and compensation and benefits. Management reviews the result of the survey and implements corresponding improvement actions.

We do not tolerate discrimination in workplace. Employees should not be treated unequally on their personal characteristics, including age, sex, religious belief, nationality and pregnancy. Opportunities for promotion, training, resources, and recruitment should be provided fairly.

During the Reporting Period, we have not identified any material non-compliance of employment laws and regulations.

B2 Health and Occupational Safety

Safety workplace is the foremost thought in carrying our business activities. To maintain a safe working environment, the Company has established safety policies on the prevention and remediation of safety accidents, and detection on potential safety hazards in workplace.

To mitigate the health risk during manufacturing processes, protective equipment must be worn by operating employees. Manufacturing machines are maintained regularly to prevent any undesired events. Employees should attend the training organised by the Company, on occupational safety and environmental control. Hazardous production materials and wastes are strictly segregated with care. Emergency and evacuation procedures were established to response timely and orderly to any major safety accidents.

The Company monitors the workplace safety continuously, and performs an annual examination of workplace safety hazards with evaluating the risk level of each potential hazards. The examination facilitates the effective health and safety planning for ongoing occupational safety monitoring procedures. In case of industrial accident, the incident will be recorded in a detailed log. Responsible functions should investigate the cause, and implement remedial actions in mitigating future occurrence. Employees are also free to provide feedbacks on improving the workplace safety.

During the Reporting Period, we have not identified any material non-compliance of health and safety laws and regulations.

B3 Development and Training

The Company provides sufficient training to our employees on quality, environmental rules, and occupational safety, for enhancing employees' awareness, skills, and knowledge. We believe training can ensure the effective operations of our business activities.

To ensure the effectiveness of the training programmes, we developed the Training Management Policy in controlling the training related procedures. A training plan is developed by management based on the requirements from various departments and employees. Special technical employees are granted the necessary training for acquiring the related technical licences. Management examines the effectiveness of training programmes, and prepares improvement plans. The facilitators should acquire the required qualifications in delivering the training, for example, understanding the knowledge and procedures of the operating sectors, and related laws and regulations.

B4 Labour Standard

Child and forced labour are strictly prohibited during the recruitment process as required by relevant laws and regulations. Children should enjoy their childhood by learning and experiencing. In recruitment, the Human Resources personnel reviews the valid identification document of the job applicants, and interviews the candidates in confirming the recruitment is free from child and forced labour matter.

During the Reporting Period, we have not identified any material non-compliance cases of labour standards laws and regulations.

B5 Supply Chain Management

The Company recognises the importance of green supply chain management in mitigating the indirect environmental and social risks. In view of green supply chain management, we are aware of the environmental and social practices of the suppliers, and try to engage suppliers with responsible acts to the society.

We strive to actively share green practices with our suppliers, and deliver the importance of sustainable operations to them. In the supplier selection process, suppliers' environmental and social performance is considered as one of the selection criteria for establishing long-term relationship. Suppliers should not violate the national environmental and labour laws, and substantial violation may incur the termination of supplier relationship. We examine the performance of suppliers regularly with onsite inspection, and are willing to provide guidance on improving their current practices.

B6 Product Responsibility

Quality Assurance

In the process of manufacturing chemical coatings, we strictly monitor the quality of the finished products, and the safety issues in using our products. Since the manufacturing processes involve the use of chemicals, we are committed to complying with international regulations on product safety, and protecting consumers' health on using our products.

The principle of Hazardous Substance Free ("HSF") and the associated standards are applied in the examination of raw materials and finished products. During the raw materials procurement process, testing is conducted on the delivered raw materials and production accessories in order to avoid hazardous substances are passed to the production line and final products. Finished products are examined by the Quality Assurance Department in order to ensure the products are free from hazardous substances and are safe for daily usage. Any batch of product which exceeds the limits as stipulated in relevant standards is segregated and prohibited for sales. Protecting consumers' health is the baseline of our service commitments, and we will continuously seek for opportunities in enhancing the safety of our products.

With the successful implementation of quality control mechanism, the Company reduced 5.14 tonnes of defective products, comparing to the quantity in Financial Year 2016. The stock recorded at our production facilities was also reduced to 1.38% during the Reporting Period when compared to 1.89% in Financial Year 2016.

Customer Service

The Company strives to provide the best services in supporting our products. The Customer Service personnel offers the required assistance to customers on the application of products with their professional knowledge. Customers are free to provide feedback on our products and services. If customers are dissatisfied on our products and/or services, they can raise a complaint to the Company, and we have established complaint resolution procedures and logs for handling and recording complaints. Complaints are summarised regularly for review from management and they will design remedial actions for any material deficiencies. On an annual basis, the Company performs a customer satisfaction survey in understanding the opinions of our customers.

Customer personal data are collected during our work. We strive to ensure the confidentiality of customer data, and restrict any kind of unauthorised access and use on the data. Therefore, we implement data protection procedures and logical security measures in protecting the sensitive data. Employees are granted the right to access to customer data on a need-to-know basis.

During the Reporting Period, we have not identified any material non-compliance of product safety, advertising and privacy related laws and regulations.

B7 Anti-corruption

The Company strives to achieve high standards of ethics in our business operations. Fraudulent events such as corruption, bribery, and collusion are strictly prohibited. Employees should comply with the Code of Conduct in performing business activities, and they should consult the management if they suspect any professional misconduct. Employees should also declare any conflict of interest under their job responsibility which may impair the integrity on work.

We have established a whistle-blowing channel for reporting any potential fraudulent cases. The management is responsible for the investigation and resolution of these cases. To further mitigate business frauds, the Internal Audit Department is established for continuous evaluation of the Company's internal control effectiveness, detection of potential deficiencies, and provision of improvement areas. An audit report is prepared and distributed to the responsible department for the timely remediation.

During the Reporting Period, we have not noted any material non-compliance of corruption related laws and regulations.

B8 Community Investment

The Company is committed to taking the community's interest into account on our business activities. We aim to promote the stability of our society, and support the underprivileged on rehabilitation to improve their quality of life. We regularly communicate with local charities in understanding community's needs. Employees are also encouraged to suggest areas of contribution based on their experiences in the community.

In order to help the needy, we participate in community activities such as donations, volunteering services and sponsorships. With the active participation in community events, we believe it helps to connect us with the local community, and maintain a mutually beneficial relationship to the society as a whole.

Deloitte. 德勤

TO THE SHAREHOLDERS OF
MANFIELD CHEMICAL HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Manfield Chemical Holdings Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 38 to 81, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, 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.

Key audit matter Valuation for trade receivables	How our audit addressed the key audit matter
We identified the valuation for trade receivables as a key audit matter due to the use of judgment and estimates by the management on the recoverability of trade receivables. In determining the carrying amount of trade receivables, the management considers the credit history of trade debtors including default or delay in payments, settlement records, subsequent settlements and aging analysis of the trade receivables. (Refer to notes 4 and 17 to the consolidated financial statements) At 31 December 2017, the carrying amount of trade receivables is HK$103,101,000 (net of allowance for doubtful debts of HK$4,042,000).	Our procedures in relation to the valuation of trade receivables included: • Obtaining an understanding of how recoverability of trade receivables is estimated by management; • Obtaining an understanding and testing the key controls of the Group relating to the preparation of aging analysis of trade receivables and the determination of credit limits, credit approval for customers and other monitoring procedures for recovering overdue debts; • Testing the aging analysis of trade receivables, on a sample basis, to the source documents including goods delivery notes and sales invoices; • Tracing a selection of the subsequent settlements, on a sample basis, to the source documents including remittance advices and bank in slips; • Discussing with the management and evaluating overdue trade receivables without/with little subsequent settlements during the year or subsequent to the end of the reporting period as identified by the management and their assessment on the recoverability with reference to the credit history of trade debtors including default or delay in payments, settlement records, subsequent settlements and aging analysis of the trade receivables; and • Assessing the historical accuracy of the allowance estimation made by the management by comparing historical allowance made to the actual settlement and actual loss incurred.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include 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 DIRECTORS AND THOSE CHARGED WITH GOVERNANCE 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 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 either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible 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 solely to you, as a body, in accordance with our agreed terms of engagement, 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 judgment and maintain professional skepticism 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 those charged with governance 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 those charged with governance 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 those charged with governance, 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 the independent auditor's report is Wan Chi Lap.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

20 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 HK$'000	2016 HK$'000
Revenue	5	**374,161**	396,172
Cost of sales and services		**(308,784)**	(308,036)
Gross profit		**65,377**	88,136
Other income	7	**17,162**	18,382
Other gains and losses	7	**(2,119)**	3,756
Distribution and selling expenses		**(33,608)**	(31,201)
Administrative expenses		**(55,274)**	(53,321)
Other expenses		**(1,959)**	(1,728)
Finance costs		**(2)**	(4)
Share of results of associates	14	**13,585**	23,817
Profit before taxation	8	**3,162**	47,837
Taxation	9	**29**	(5,830)
Profit for the year		**3,191**	42,007
Earnings per share			
— Basic	11	**HK1.0 cents**	HK6.9 cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	**2017 HK$'000**	2016 HK$'000
Profit for the year		**3,191**	42,007
Other comprehensive income (expense) which may be subsequently reclassified to profit or loss:			
Share of exchange differences of associates	*14*	**11,506**	(10,741)
Exchange differences arising on translation of foreign operations		**18,395**	(20,824)
Other comprehensive income (expense) for the year		**29,901**	(31,565)
Total comprehensive income for the year		**33,092**	10,442
Profit (loss) for the year attributable to:			
Owners of the Company		**6,105**	41,603
Non-controlling interests		**(2,914)**	404
		3,191	42,007
Total comprehensive income (expense) attributable to:			
Owners of the Company		**34,995**	11,121
Non-controlling interests		**(1,903)**	(679)
		33,092	10,442

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2017

	Notes	2017 HK$'000	2016 HK$'000
Non-current assets			
Property, plant and equipment	12	**95,104**	103,890
Prepaid lease payments	13	**23,631**	26,961
Interests in associates	14	**191,889**	180,298
Deferred tax assets	15	**–**	162
Derivative financial instruments	20	**–**	1,702
Deposits to purchase of property, plant and equipment and prepaid lease payments		**806**	2,946
		311,430	315,959
Current assets			
Prepaid lease payments	13	**705**	766
Inventories	16	**41,568**	54,132
Trade and other receivables	17	**110,960**	110,720
Derivative financial instruments	20	**433**	–
Tax recoverable		**725**	823
Bank balances and cash	18	**204,613**	204,625
		359,004	371,066
Assets classified as held for sale	21	**40,177**	–
		399,181	371,066
Current liabilities			
Trade and other payables	19	**43,615**	48,728
Tax payable		**374**	1,027
		43,989	49,755
Liabilities associated with assets classified as held for sale	21	**11,260**	–
		55,249	49,755
Net current assets		**343,932**	321,311
Total assets less current liabilities		**655,362**	637,270
Capital and reserves			
Share capital	22	**6,000**	6,000
Reserves		**635,229**	615,234
Equity attributable to owners of the Company		**641,229**	621,234
Non-controlling interests		**14,133**	16,036
Total equity		**655,362**	637,270

The consolidated financial statements on pages 38 to 81 were approved and authorised for issue by the Board of Directors on 20 March 2018 and are signed on its behalf by:

Yuen Shu Wah
Director

Ko Jack Lum
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

	Attributable to owners of the Company										
	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000 (note a)	Shareholders' contribution/ distribution reserve HK$'000 (note b)	Translation reserve HK$'000	Other reserve HK$'000 (note c)	Non-distributable reserve HK$'000 (note d)	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2016	6,000	133,883	32,000	(274)	26,180	4,571	11,086	411,667	625,113	16,715	641,828
Share of exchange differences of associates	–	–	–	–	(10,741)	–	–	–	(10,741)	–	(10,741)
Exchange differences arising on translation of foreign operations	–	–	–	–	(19,741)	–	–	–	(19,741)	(1,083)	(20,824)
Other comprehensive expense for the year	–	–	–	–	(30,482)	–	–	–	(30,482)	(1,083)	(31,565)
Profit for the year	–	–	–	–	–	–	–	41,603	41,603	404	42,007
Total comprehensive (expense) income for the year	–	–	–	–	(30,482)	–	–	41,603	11,121	(679)	10,442
Transfer	–	–	–	–	–	–	1,739	(1,739)	–	–	–
Dividend paid	–	–	–	–	–	–	–	(15,000)	(15,000)	–	(15,000)
At 31 December 2016	6,000	133,883	32,000	(274)	(4,302)	4,571	12,825	436,531	621,234	16,036	637,270
Share of exchange differences of associates	-	-	-	-	11,506	-	-	-	11,506	-	11,506
Exchange differences arising on translation of foreign operations	-	-	-	-	17,384	-	-	-	17,384	1,011	18,395
Other comprehensive income for the year	-	-	-	-	28,890	-	-	-	28,890	1,011	29,901
Profit (loss) for the year	-	-	-	-	-	-	-	6,105	6,105	(2,914)	3,191
Total comprehensive income (expense) for the year	-	-	-	-	28,890	-	-	6,105	34,995	(1,903)	33,092
Transfer	-	-	-	-	-	-	72	(72)	-	-	-
Transfer upon deregistration of a subsidiary	-	-	-	-	-	-	(1,504)	1,504	-	-	-
Dividend paid	-	-	-	-	-	-	-	(15,000)	(15,000)	-	(15,000)
At 31 December 2017	6,000	133,883	32,000	(274)	24,588	4,571	11,393	429,068	641,229	14,133	655,362

Notes:

(a) The special reserve of the Group represents the nominal values of 32,000,000 non-voting class A shares of HK$1 each issued by a subsidiary of the Company to its shareholders prior to a group reorganisation in 2002.

(b) The balance as at 31 December 2016 and 2017 included (i) deemed distribution to a shareholder of HK$12,515,000 involving a distribution of assets other than cash to an owner by making reference to the fair value of the assets being distributed; (ii) deemed contribution from a shareholder of HK$842,000 about the disposal of a subsidiary which having net liabilities; and (iii) deemed shareholders' contribution upon the waive of loan from ultimate holding company of HK$11,399,000.

(c) Other reserve was resulted from the partial disposal of a subsidiary in previous years.

(d) The non-distributable reserve of the Group mainly represents statutory reserve requirement that the foreign investment enterprises appropriated 10% of the profit after taxation of the subsidiaries of the Company registered in the People's Republic of China (the "PRC") to the non-distributable reserve under the PRC laws and regulations until the transferred amount equals to 50% of the registered capital of these PRC subsidiaries. It can be used to make up for previous years' losses or converted into additional capital of these PRC subsidiaries.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 HK$'000	2016 HK$'000
OPERATING ACTIVITIES			
Profit before taxation		**3,162**	47,837
Adjustments for:			
Impairment losses recognised on trade receivables	*7*	**666**	571
Impairment loss recognised on other receivable	*7*	**609**	621
Release of prepaid lease payments	*8*	**788**	803
Depreciation of property, plant and equipment	*8*	**13,234**	14,162
Net loss on disposal of property, plant and equipment	*7*	**3,279**	89
Interest income	*7*	**(1,354)**	(968)
Finance costs		**2**	4
Share of results of associates	*14*	**(13,585)**	(23,817)
Change in fair value of derivative financial instruments	*20*	**1,269**	(64)
Operating cash flows before movements in working capital		**8,070**	39,238
Decrease (increase) in inventories		**7,446**	(27,333)
Increase in trade and other receivables		**(7,200)**	(2,802)
Increase in trade and other payables		**3,096**	11,353
Cash generated from operations		**11,412**	20,456
Income tax paid, net		**(364)**	(6,863)
NET CASH GENERATED FROM OPERATING ACTIVITIES		**11,048**	13,593
INVESTING ACTIVITIES			
Purchases of property, plant and equipment		**(13,430)**	(5,136)
Dividends received from an associate		**13,500**	13,500
Interest received		**1,354**	968
Deposits paid for purchase of property, plant and equipment		**(92)**	–
Proceeds from disposal of property, plant and equipment		**474**	132
Investment in an associate		**–**	(335)
NET CASH FROM INVESTING ACTIVITIES		**1,806**	9,129
FINANCING ACTIVITIES			
Interest paid		**(2)**	(4)
Dividend paid		**(15,000)**	(15,000)
CASH USED IN FINANCING ACTIVITIES		**(15,002)**	(15,004)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(2,148)**	7,718
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**204,625**	200,425
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**3,137**	(3,518)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**205,614**	204,625

1. GENERAL

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law (2007 Revision) Chapter 22 of the Cayman Islands. The Company's shares are listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the corporation information section of the annual report.

The Company's immediate holding company is Guang Ming Holdings Limited and ultimate holding company is Mezzo International Limited. Both companies were incorporated in the British Virgin Islands (the "BVI").

The Company is an investment holding company. The Group is principally engaged in manufacturing and trading of liquid coatings and powder coatings (2016: manufacturing and trading of liquid coatings, powder coatings and subcontracting services).

The functional currency of the Company is Hong Kong dollars, which is the same as the presentation currency of the consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKAS 7	Disclosure initiative
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and revised HKFRSs in issue but not yet effective

The Group has not yet early applied the following new and revised HKFRSs that have been issued but are not yet effective.

HKFRS 9	Financial instruments[1]
HKFRS 15	Revenue from contracts with customers and the related amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance contracts[4]
HK(IFRIC)-Int 22	Foreign currency transactions and advance consideration[1]
HK(IFRIC)-Int 23	Uncertainty over income tax treatments[2]
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 financial instruments with HKFRS 4 insurance contracts[1]
Amendments to HKFRS 9	Prepayment features with negative compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[3]
Amendments to HKAS 28	Long-term interests in associates and joint ventures[2]
Amendments to HKAS 40	Transfers of investment property[1]
Amendments to HKAS 28	As part of the annual improvements to HKFRSs 2014–2016 cycle[1]
Amendments to HKFRSs	Annual improvements to HKFRSs 2015–2017 cycle[2]

[1] Effective for annual periods beginning on or after 1 January 2018.
[2] Effective for annual periods beginning on or after 1 January 2019.
[3] Effective for annual periods beginning on or after a date to be determined.
[4] Effective for annual periods beginning on or after 1 January 2021.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and revised HKFRSs in issue but not yet effective *(Continued)*

Except for the new and amendments to HKFRSs and Interpretations mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs and Interpretations will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 9 "Financial Instruments"

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income ("FVTOCI"). All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's financial instruments and risk management policies as at 31 December 2017, the directors of the Company anticipate the following potential impact on initial application of HKFRS 9:

Classification and measurement

All financial assets and financial liabilities will continue to be measured on the same basis as are currently measured under HKAS 39.

Impairment

In general, the directors of the Company anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that subject to the impairment provisions upon application of HKFRS 9 by the Group.

Based on the assessment by the directors of the Company, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognised by Group as at 1 January 2018 would be increased as compared to the accumulated amount recognised under HKAS 39 mainly attributable to expected credit losses provision on trade receivables. Such further impairment recognised under expected credit loss model would reduce the opening retained profits at 1 January 2018.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and revised HKFRSs in issue but not yet effective *(Continued)*

HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

HKFRS 16 "Leases"

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use while other operating lease payments are presented as operating cash flows. Upon the application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and revised HKFRSs in issue but not yet effective *(Continued)*

HKFRS 16 "Leases" *(Continued)*

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2017, the Group has non-cancellable operating lease commitments of HK$534,000 as disclosed in note 24. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid and refundable rental deposits received as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are within the scope of HKAS 17 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 Inventories or value in use in HKAS 36 Impairment of Assets.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies adopted are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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 listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Change in the Group's ownership interest in existing subsidiary

When the Group loses control of a subsidiary, the assets and liabilities of the subsidiary are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs).

Revenue recognition

Revenue is measured at fair value of the consideration received or receivable and represents amounts receivable for goods sold or services provided in the normal course of business, net of sales related taxes.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economics benefits will flow to the Group and when specific criteria have been met for each of the Group's activities as described below.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Service income is recognised when services are provided.

Royalty fee income is derived from agreements signed with counterparties which manufacture products using the proprietary know-how of the Group. Royalty fee income is recognised when the counterparties make the related sales and determined as a percentage to the related sales amount.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

Property, plant and equipment including land and buildings held for use in the production of goods, or for administrative purposes (other than construction in progress) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Construction in progress represents property, plant and equipment in the course of construction for production and administrative purposes. Construction in progress is carried at cost less any identified impairment loss. Construction in progress is classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property, plant and equipment, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets (other than construction in progress) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control over those policies.

The results and assets and liabilities of associate are incorporated in the consolidated financial statements using the equity method of accounting. The financial statements of associate used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

The requirements of HKAS 39 "Financial instruments: Recognition and measurement" are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with HKAS 36 "Impairment of assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates *(Continued)*

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of HKAS 39, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

Where a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised only to the extent of interests in the associate that are not related to the Group.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Impairment on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Recoverable amount is the higher of fair value less costs of disposal and value in use. 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on a first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are loans and receivables and financial assets at fair value through profit or loss ("FVTPL"). The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is a derivative that is not designated and effective as hedging instruments; or it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract to be designated as at FVTPL upon initial recognition.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in the profit or loss includes any interest earned on the financial assets and is included in "other gains and losses" line item. Fair value is determined in the manner described in note 20.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment (see accounting policy on impairment of financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of the impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of trade receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on trade receivables.

For loans and receivables, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Financial liabilities at amortised cost

Financial liabilities including trade and other payables are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis of which the interest expense is included in net gains or losses.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Retirement benefits costs

Payments to the defined contribution retirement benefit plans, including Occupational Retirement Scheme (the "ORSO Scheme"), the Mandatory Provident Fund Scheme ("MPF Scheme") and the state-managed retirement benefit schemes, are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries and annual leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is released over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Taxation

Taxation represents the sum of the income tax expense currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before taxation' as reported in the consolidated statement of profit or loss because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and an associate, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(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 profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly to equity, in which case, the current tax and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on the settlement of monetary items, and on the retranslation of monetary items are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, management of the Group is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following is 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.

Impairment losses on trade receivables

The provision policy for impairment losses on trade receivables of the Group is based on the the credit history of customers including default or delay in payments, settlement records, subsequent settlements and aging analysis of the trade receivables. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance may be required.

Impairment losses on trade receivables of HK$666,000 have been recognised for the year ended 31 December 2017 (2016: HK$571,000). As at 31 December 2017, the carrying amount of trade receivables is HK$103,101,000 (net of allowance for doubtful debts of HK$4,042,000) (2016: HK$95,753,000 (net of allowance for doubtful debts of HK$4,549,000)).

5. REVENUE AND SEGMENTAL INFORMATION

Revenue represents the amounts received and receivable for services provided and goods sold, net of sales related taxes, during both years.

The Group is principally engaged in manufacturing and trading of liquid coatings, powder coating and subcontracting services. The management of the Group, being the Group's chief operating decision maker, make the decision on allocation of resources and assessment of performance based on geographical segments determined on the basis of location of customers. The accounting policies of the operating and reportable segments are the same as the Group's accounting policies described in note 3. Information of the operating and reportable segments of the Group is as follow:

Year ended 31 December 2017

	Hong Kong and Others# HK$'000	The PRC HK$'000	Consolidated HK$'000
REVENUE			
External revenue	**50,493**	**323,668**	**374,161**
RESULTS			
Segment profits	**6,690**	**17,429**	**24,119**
Interest income			**1,354**
Unallocated corporate income			**9,961**
Unallocated corporate expenses			**(41,307)**
Unallocated corporate other gains and losses			**(4,548)**
Finance costs			**(2)**
Share of results of associates			**13,585**
Profit before taxation			**3,162**
TOTAL ASSETS			
Segment assets — trade and bills receivables	**9,146**	**96,306**	**105,452**
Unallocated assets			**605,159**
			710,611
OTHER SEGMENT INFORMATION			
Amounts included in the measure of segment profit:			
Impairment losses recognised on trade receivables	**–**	**666**	**666**

5. REVENUE AND SEGMENTAL INFORMATION *(Continued)*

Year ended 31 December 2016

	Hong Kong and Others# HK$'000	The PRC HK$'000	Consolidated HK$'000
REVENUE			
External revenue	60,356	335,816	396,172
RESULTS			
Segment profits	5,182	47,562	52,744
Interest income			968
Unallocated corporate income			10,694
Unallocated corporate expenses			(40,357)
Unallocated corporate other gains and losses			(25)
Finance costs			(4)
Share of results of associates			23,817
Profit before taxation			47,837
TOTAL ASSETS			
Segment assets — trade and bills receivables	14,130	90,035	104,165
Unallocated assets			582,860
			687,025
OTHER SEGMENT INFORMATION			
Amounts included in the measure of segment profit:			
Impairment losses recognised on trade receivables	–	571	571

Including Indonesia, Malaysia, Taiwan and other jurisdictions.

Notes:

(i) Segment profits represent the results of each segment without allocation of corporate items, including interest income, management fee income and rental income from subsidiaries of an associate, net loss on disposal of property, plant and equipment, central administration cost, depreciation of property, plant and equipment, release of prepaid lease payments, change in fair value of derivative financial instruments, finance costs and share of results of associates. This is the measure reported to the management of the Group for the purpose of resources allocation and performance assessments.

(ii) Other than trade and bills receivables, assets are not allocated to operating segments. Inventories could be sold to common customers of the operating segments, which cannot be allocated to respective segments on a reasonable basis. Liabilities are not allocated to operating segments, as the Group's trade payables represented payables to common suppliers of the operating segments, which cannot be allocated to respective segments on a reasonable basis.

5. REVENUE AND SEGMENTAL INFORMATION *(Continued)*

Revenue from major products and services

The Group's revenue from its major products and services were as follows:

	2017 HK$'000	2016 HK$'000
Sales		
Liquid coatings		
Sales to outsiders	**244,679**	237,575
Sales to subsidiaries of an associate	**105,726**	127,156
Powder coatings — sales to outsiders	**23,756**	24,439
Subcontracting fee income from subsidiaries of an associate	**–**	7,002
	374,161	396,172

Information about major customers

During the year, the revenue from the subsidiaries of an associate contributed over 10% of total revenue of the Group are as follows:

	2017 HK$'000	2016 HK$'000
Hong Kong	**3,602**	4,529
The PRC	**102,124**	129,629
	105,726	134,158

Details are disclosed in note 25.

Geographical information

The Group's operations are located in Hong Kong, the PRC and others. The Group's information about its non-current assets (excluding deferred tax assets and derivative financial instruments) by geographical location of the assets, including property, plant and equipment, prepaid lease payments, deposits to purchase of property, plant and equipment and prepaid lease payments; and by location of incorporation for interests in associates, are detailed below:

	2017 HK$'000	2016 HK$'000
Hong Kong and others *(Note)*	**196,341**	185,370
The PRC	**115,089**	128,725
	311,430	314,095

Note: Non-current assets of others are less than 10% of the Group's total non-current assets at the end of the reporting period.

6. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' and chief executive's emoluments

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and CO, is as follows:

	Executive Directors			Non-executive directors		Independent non-executive directors			
	Mr. Yuen Shu Wah ("Mr. Yuen")	Mr. Ko Jack Lum	Mr. Ng Kai On	Dato' Wong Peng Chong	Mr. Kong Muk Yin	Dr. Chui Hong Sheung	Mr. Cheung Chi Wai Vidy	Mr. Yue Kwai Wa Ken	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 December 2017									
Fee	**120**	**120**	**120**	**120**	**120**	**120**	**120**	**120**	**960**
Other emoluments									
Salaries and other benefits	**345**	**2,304**	**1,163**	**–**	**–**	**–**	**–**	**–**	**3,812**
Retirement benefit scheme contributions	**147**	**147**	**75**	**–**	**–**	**–**	**–**	**–**	**369**
Total emoluments	**612**	**2,571**	**1,358**	**120**	**120**	**120**	**120**	**120**	**5,141**
Year ended 31 December 2016									
Fee	120	120	120	120	120	120	120	120	960
Other emoluments									
Salaries and other benefits	476	2,204	1,302	–	–	–	–	–	3,982
Retirement benefit scheme contributions	142	142	73	–	–	–	–	–	357
Total emoluments	738	2,466	1,495	120	120	120	120	120	5,299

Note: Discretionary bonus was determined by the management of the Group by reference to the performance of directors and the Group's operating results.

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

The non-executive directors' emoluments shown above were mainly for their services as directors of the Company and its subsidiaries.

The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

Mr. Ko Jack Lum is the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive, while Mr. Yuen is the chairman of the Company.

During both years, no remuneration was paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any remuneration during both years.

6. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

(b) Employees' emoluments

The five highest paid individuals included three directors and whose emoluments are included in the disclosures in (a) above for both years. The emoluments of the remaining two individuals, are as follows:

	2017 HK$'000	2016 HK$'000
Salaries and other benefits	**2,133**	2,053
Retirement benefit scheme contributions	**67**	66
	2,200	2,119

The emoluments of the individuals with the highest emoluments who are not the directors of the Company are within the following bands:

	2017 Number of individuals	2016 Number of individuals
HK$ nil to HK$1,000,000	**1**	1
HK$1,000,001 to HK$1,500,000	**1**	1

During both years, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

7. OTHER INCOME AND OTHER GAINS AND LOSSES

	2017 HK$'000	2016 HK$'000
Other income		
Royalty fee income from subsidiaries of an associate	**3,708**	4,166
Management fee income from subsidiaries of an associate	**8,304**	9,027
Rental income from subsidiaries of an associate	**1,657**	1,668
Transportation fee income from a subsidiary of an associate	**1,446**	1,727
Rental income	**693**	826
Interest income	**1,354**	968
	17,162	18,382
Other gains and losses		
Impairment losses recognised on trade receivables	**(666)**	(571)
Impairment loss recognised on other receivable	**(609)**	(621)
Net loss on disposal of property, plant and equipment	**(3,279)**	(89)
Net exchange gain	**994**	1,404
Change in fair value of derivative financial instruments	**(1,269)**	64
Government grants *(Note)*	**2,123**	2,164
Others	**587**	1,405
	(2,119)	3,756

Note: Mainly subsidies received from government authority for the support of the development of the Group's subsidiary as new and high technology enterprise. There is no specified condition attached to these subsidies.

8. PROFIT BEFORE TAXATION

	2017 HK$'000	2016 HK$'000
Profit before taxation has been arrived at after charging:		
Auditor's remuneration	**1,180**	1,020
Directors' emoluments *(note 6)*		
Fee	**960**	960
Other emoluments	**3,812**	3,982
Retirement benefit scheme contributions	**369**	357
	5,141	5,299
Other staff costs:		
Salaries and other allowances	**93,060**	93,967
Retirement benefit scheme contributions	**7,826**	7,467
Total staff costs	**106,027**	106,733
Release of prepaid lease payments	**788**	803
Depreciation of property, plant and equipment	**13,234**	14,162
Cost of inventories recognised as an expense (included in cost of sales and services)	**308,784**	308,036
Donation	**1,959**	1,728
Minimum operating lease rentals in respect of rented premises	**1,409**	592

9. TAXATION

	2017 HK$'000	2016 HK$'000
Hong Kong Profits Tax:		
Current year	**737**	3,256
Overprovision in prior years	**(16)**	(9)
	721	3,247
PRC Enterprise Income Tax:		
Current year	**–**	4,154
Overprovision in prior years	**(912)**	(1,571)
	(912)	2,583
Deferred tax *(note 15)*	**162**	–
	(29)	5,830

The Company and its subsidiary incorporated in the Cayman Islands and the BVI are exempted from profit tax under the tax laws of the Cayman Islands and the BVI.

9. TAXATION *(Continued)*

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profits for both years. Taiwan income tax is calculated at 17% on the assessable taxable profits of the Taiwan Branch for both years. No provision for Taiwan income tax has been made as the Group has no assessable profit arising in Taiwan.

Under the Law of the PRC in Enterprise Income tax (the "EIT Law") and Implementation Regulations of the EIT Law, the applicable tax rate for the Company's subsidiaries registered in the PRC is 25% for both years, except Manfield (Guangzhou) Innovative Materials Limited (formerly known as Springfield Chemical (Guangzhou) Company Limited) ("Manfield GZ"). Manfield GZ obtained the qualification as high and new technology enterprise at 10 October 2015, which is valid for three years, and the relevant application to competent tax authority is also filed. Hence, Manfield GZ is subject to the preferential tax treatment and the applicable tax rate for the year ended 31 December 2017 is 15% (2016: 15%).

The taxation charge for the year can be reconciled to the profit before taxation as follows:

	2017 HK$'000	2016 HK$'000
Profit before taxation	**3,162**	47,837
Less: Share of results of associates	**(13,585)**	(23,817)
	(10,423)	24,020
Taxation at Hong Kong Profits Tax rate of 16.5%	**(1,720)**	3,964
Tax effect of expenses not deductible for tax purpose	**1,412**	1,409
Tax effect of tax losses not recognised	**1,900**	94
Utilisation of tax losses previously not recognised	**(422)**	(292)
Effect of different tax rates of subsidiaries operating in the PRC	**(645)**	542
Effect of income tax on concessionary rate	**(42)**	(248)
Overprovision in prior years	**(928)**	(1,580)
Withholding tax arising from dividend income received from a PRC subsidiary	**–**	1,677
Others	**416**	264
Taxation (credit) charge for the year	**(29)**	5,830

Details of deferred taxation are set out in note 15.

10. DIVIDEND

During the year ended 31 December 2017, a dividend of HK$15,000,000 or HK$0.025 per share (2016: HK$15,000,000) was distributed to its shareholders.

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2017 of HK$0.025 per share has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

11. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the following data:

	2017 HK$'000	2016 HK$'000
Earnings:		
Earnings for the purpose of calculating basic earnings per share (profit for the year attributable to owners of the Company)	**6,105**	41,603

	'000	'000
Number of shares:		
Number of ordinary shares for the purpose of calculating basic earnings per share	**600,000**	600,000

No diluted earnings per share for both years were presented as there were no potential ordinary shares in issue for both years.

12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Plant, machinery and equipment HK$'000	Construction in progress HK$'000	Total HK$'000
COST							
At 1 January 2016	122,350	34,580	34,990	10,302	41,368	306	243,896
Exchange adjustments	(7,186)	(2,058)	(2,012)	(539)	(2,356)	(33)	(14,184)
Additions	–	1,180	1,656	433	1,586	281	5,136
Disposals	–	–	(528)	(843)	(520)	–	(1,891)
At 31 December 2016	115,164	33,702	34,106	9,353	40,078	554	232,957
Exchange adjustments	**7,282**	**2,323**	**2,138**	**573**	**2,614**	**272**	**15,202**
Additions	**30**	**2,435**	**1,672**	**1,512**	**1,592**	**6,189**	**13,430**
Disposals	**(5,035)**	**(668)**	**(1,109)**	**(822)**	**(2,320)**	**–**	**(9,954)**
Reclassified as held for sale	**(8,941)**	**(2,829)**	**(2,207)**	**(834)**	**(7,786)**	**(42)**	**(22,639)**
Transfer	**–**	**–**	**–**	**–**	**439**	**(439)**	**–**
At 31 December 2017	**108,500**	**34,963**	**34,600**	**9,782**	**34,617**	**6,534**	**228,996**
DEPRECIATION							
At 1 January 2016	40,612	22,803	29,117	7,013	24,449	–	123,994
Exchange adjustments	(2,612)	(1,420)	(1,622)	(366)	(1,399)	–	(7,419)
Provided for the year	4,483	2,991	2,239	953	3,496	–	14,162
Eliminated on disposals	–	–	(449)	(764)	(457)	–	(1,670)
At 31 December 2016	42,483	24,374	29,285	6,836	26,089	–	129,067
Exchange adjustments	**2,863**	**1,656**	**1,776**	**401**	**1,647**	**–**	**8,343**
Provided for the year	**4,223**	**2,279**	**2,345**	**1,063**	**3,324**	**–**	**13,234**
Eliminated on disposals	**(2,148)**	**(530)**	**(998)**	**(769)**	**(1,756)**	**–**	**(6,201)**
Reclassified as held for sale	**(2,732)**	**(1,790)**	**(1,484)**	**(601)**	**(3,944)**	**–**	**(10,551)**
At 31 December 2017	**44,689**	**25,989**	**30,924**	**6,930**	**25,360**	**–**	**133,892**
CARRYING AMOUNTS							
At 31 December 2017	**63,811**	**8,974**	**3,676**	**2,852**	**9,257**	**6,534**	**95,104**
At 31 December 2016	72,681	9,328	4,821	2,517	13,989	554	103,890

12. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The above items of property, plant and equipment, other than construction in progress, are depreciated on a straight-line basis after taking into account their estimated residual values, at the following rates per annum:

Leasehold land and buildings	Over the shorter of the term of the lease and 50 years
Leasehold improvements	4.5%–20%
Furniture, fixtures and office equipment	18%–20%
Motor vehicles	18%–25%
Plant, machinery and equipment	4%–18%

As at 31 December 2017, the Group is in the process of obtaining title deeds from relevant government authorities for its leasehold land and buildings in the PRC amounting to HK$45,583,000 (2016: HK$44,419,000). In the opinion of the management of the Group, the Group is not required to incur additional costs in obtaining the title deeds for its leasehold land and buildings in the PRC.

As at 31 December 2017, the Group's leasehold land and buildings situated in Hong Kong amounting to HK$1,585,000 (2016: HK$4,473,000), were pledged to a bank for general banking facilities granted to the Group.

13. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments represent leasehold interest in lands in the PRC held under medium-term lease, and are analysed for reporting purposes as follows:

	2017 HK$'000	2016 HK$'000
Non-current asset	**23,631**	26,961
Current asset	**705**	766
	24,336	27,727

14. INTERESTS IN ASSOCIATES

	2017 HK$'000	2016 HK$'000
Unlisted investments, at cost	**513**	513
Share of post-acquisition translation reserve	**11,451**	(55)
Share of post-acquisition profits, net of dividends received	**179,925**	179,840
	191,889	180,298

The following list contains only the particulars of associates, which are unlisted corporate, in the opinion of the management of the Group, which principally affected the results or assets of the Group:

List of associate	Form of business structure	Place of incorporation/ operation	Issued and fully paid share capital/ registered capital	Attributable equity interest to the Group as at 2017	2016	Principal activity
CMW Holding Limited ("CMW Holding")	Limited liability company	Hong Kong	HK$500,000	**45%**	45%	Investment holding
福州艾薩卡爾汽車維修服務有限公司 Fuzhou Aisa Car Auto Service Company Limited ("Fuzhou Aisa") *(note)*	Limited liability company	PRC	RMB1,000,000 Paid-up registered capital	**30%**	30%	Provision of car repair and maintenance service

14. INTERESTS IN ASSOCIATES *(Continued)*

List of subsidiaries of CMW Holding	Form of business structure	Place of incorporation/ operation	Issued and fully paid share capital/ registered capital	Attributable equity interest to CMW Holding as at 2017	2016	Principal activity
廣州卡秀堡輝塗料科技有限公司 CMW Coatings (Guangzhou) Technology Company Limited *(note)*	Wholly owned foreign enterprise	PRC	HK$10,000,000 Paid-up registered capital	**100%**	100%	Manufacturing of coatings
無錫卡秀堡輝塗料有限公司 CMW Coatings (Wuxi) Limited *(note)*	Wholly owned foreign enterprise	PRC	HK$25,000,000 Paid-up registered capital	**100%**	100%	Manufacturing of coatings
CMW Coatings (Hong Kong) Limited	Limited liability company	Hong Kong	HK$1	**100%**	100%	Trading of coatings
天津卡秀堡輝塗料有限公司 CMW Coatings (Tianjin) Limited *(note)*	Wholly owned foreign enterprise	PRC	US$4,000,000 Paid-up registered capital	**100%**	100%	Not yet commenced business

Note: English translated name is for identification only

CMW Holding was incorporated in Hong Kong in the year of 2000, so as to develop the PRC markets of paint coatings for cookwares and mobile phone through its PRC subsidiaries.

The summarised financial information in respect of the Group's material associate, CMW Holding is set out below. The summarised financial information below represents amounts shown in CMW Holding's consolidated financial statements for the year ended 31 December 2016 and the management accounts for the year ended 31 December 2017 prepared in accordance with HKFRSs.

CMW Holding and its subsidiaries

	As at 31 December 2017 HK$'000	2016 HK$'000
Current assets	**433,875**	441,236
Non-current assets	**122,289**	101,737
Current liabilities	**113,266**	124,118
Non-current liabilities	**17,086**	18,764
Net assets	**425,812**	400,091

14. INTERESTS IN AN ASSOCIATES *(Continued)*

CMW Holding and its subsidiaries *(Continued)*

	Year ended 31 December	
	2017	2016
	HK$'000	HK$'000
Revenue	**597,211**	688,703
Profit for the year	**30,193**	53,107
Other comprehensive income (expense) for the year	**25,529**	(23,876)
Total comprehensive income for the year	**55,722**	29,231
The Group's share of results of an associate for the year	**13,587**	23,898
The Group's share of other comprehensive income (expense) for the year	**11,488**	(10,744)
Dividends paid to the Group	**13,500**	13,500

Reconciliation of the above summarised financial information to the carrying amount of the interest in CMW Holding recognised in the consolidated financial statements:

CMW Holding and its subsidiaries

	As at 31 December	
	2017	2016
	HK$'000	HK$'000
Net assets of CMW Holding	**425,812**	400,091
Proportion of the Group's ownership interest in CMW Holding	**45%**	45%
Carrying amount of the Group's interest in CMW Holding	**191,615**	180,041

As at 31 December 2017, carrying amount of the Group's associate, Fuzhou Aisa is HK$274,000 (2016: HK$257,000), which is not individually material.

15. DEFERRED TAXATION

The following are the major deferred tax assets recognised and movements thereon during both years:

	Difference between tax allowance and depreciation	**Impairment losses on trade receivables**	**Total**
	HK$'000	HK$'000	HK$'000
At 1 January 2016 and 31 December 2016	47	115	162
Charge to profit or loss	(47)	(115)	(162)
At 31 December 2017	–	–	–

15. DEFERRED TAXATION *(Continued)*

At 31 December 2017, the Group had unused tax losses of approximately HK$15,954,000 (2016: HK$7,749,000) available for offset against future profits. Tax losses of approximately HK$753,000 have expired during the year ended 31 December 2017. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams. Pursuant to the relevant laws and regulations in the PRC, the unused tax losses at the end of the reporting period will expire on 31 December of the following years:

	2017 HK$'000	2016 HK$'000
2016	**–**	241
2017	**1,075**	3,634
2019	**1,511**	1,721
2020	**1,431**	1,584
2021	**422**	569
2022	**11,515**	–
	15,954	7,749

As at 31 December 2017, the Group has other deductible temporary differences of approximately HK$4,793,000 (2016: HK$3,852,000), which are mainly arising from impairment losses of trade receivables. No deferred tax asset has been recognised in relation to such other deductible temporary differences as it is not probable that taxable profit will be available for offset against which the deductible temporary differences can be utilised.

The EIT Law imposes withholding tax upon the distribution of profits earned by the Company's PRC subsidiaries on or after 1 January 2008 to their non-PRC shareholders. As at 31 December 2017, deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the Company's PRC subsidiaries amounting to approximately HK$28,968,000 (2016: HK$33,046,000), respectively as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

16. INVENTORIES

	2017 HK$'000	2016 HK$'000
Raw materials	**31,589**	43,530
Work in progress	**5,475**	6,434
Finished goods	**4,504**	4,168
	41,568	54,132

17. TRADE AND OTHER RECEIVABLES

	2017 HK$'000	2016 HK$'000
Trade receivables	**107,143**	100,302
Bills receivables	**2,351**	8,412
Less: Impairment losses on trade receivables	**(4,042)**	(4,549)
Total trade and bills receivables	**105,452**	104,165
Other receivables, deposits and prepayments	**5,508**	6,555
Total trade and other receivables	**110,960**	110,720

17. TRADE AND OTHER RECEIVABLES *(Continued)*

The Group allows credit period of 30 days to 90 days to its trade customers. The following is an aging analysis of trade receivables net of impairment losses presented based on the invoice date at the end of the reporting period. For customers who used bank bills to settle their trade receivables upon the expiry of the initial credit period, the aging analysis of bills receivables at the end of the reporting period was presented based on the date of issuance of the bills. All bills receivables will be matured within a period of 30 days to 180 days.

	Trade receivables		Bills receivables	
	2017	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000
0-30 days	**43,295**	37,673	**771**	1,885
31–60 days	**25,073**	20,141	**72**	1,093
61–90 days	**13,687**	12,636	**201**	3,260
Over 90 days	**21,046**	25,303	**1,307**	2,174
	103,101	95,753	**2,351**	8,412

As at 31 December 2017, included in trade receivables, there were trade receivables due from subsidiaries of an associate of HK$16,154,000 (2016: HK$16,244,000). As at 31 December 2016, included in trade receivables, there was trade receivable due from a subsidiary of a non-controlling shareholder of HK$7,449,000.

Before accepting any new customer, the Group will assess the potential customer's credit quality and defines its credit limits. Credit sales are made to customers with a satisfactory trustworthy credit history. Credit limits attributed to customers are reviewed regularly. Trade receivables that are neither past due nor impaired have good track records with the Group.

As at 31 December 2017, included in the Group's trade receivables balance are debtors with an aggregate carrying amount of HK$34,540,000 (2016: HK$37,939,000) which were past due at the end of the reporting period for which the Group has not provided for impairment loss, as there has not been a significant change in credit quality and the amounts are still considered recoverable based on the historical experience. The Group does not hold any collateral over these balances.

Aging of trade receivables which are past due but not impaired:

	2017	2016
	HK$'000	HK$'000
61–90 days	**13,494**	12,636
Over 90 days	**21,046**	25,303
	34,540	37,939

No interest is charged on the trade receivables. The Group has policy regarding impairment losses on trade receivables which is based on the credit history of customers including default or delay in payments, settlement records, subsequent settlements and aging analysis of the trade receivables.

Movement in the impairment losses on trade receivables is as follows:

	2017	2016
	HK$'000	HK$'000
Balance at the beginning of the year	**4,549**	3,978
Impairment loss	**666**	571
Amounts written off as uncollectible	**(422)**	–
Reclassified as held for sale	**(751)**	–
Balance at the end of the year	**4,042**	4,549

17. TRADE AND OTHER RECEIVABLES *(Continued)*

As at 31 December 2017, included in the impairment losses on trade receivables are individually impaired trade receivables with an aggregate balance of HK$4,042,000 (2016: HK$4,549,000), that are considered irrecoverable by the management after consideration on the credit quality of those individual customers, the ongoing relationship with the Group and the aging of these receivables. The Group does not hold any collateral over these balances.

18. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short term bank deposits with an original maturity of three months or less. As at 31 December 2017, the bank balances carry interest at prevailing market rate of 0.01% per annum (2016: 0.18% per annum).

19. TRADE AND OTHER PAYABLES

	2017 **HK$'000**	2016 HK$'000
Trade payables	**26,340**	32,468
Accrued staff cost	**10,601**	12,160
Other payables and accruals	**6,674**	4,100
	43,615	48,728

As at 31 December 2017, included in trade payables, there were trade payables due to a subsidiary of an associate of HK$816,000 (2016: HK$65,000).

The average credit period on purchases of goods is 90 days. The following is an aging analysis of trade payables presented based on the invoice date at the end of the reporting period:

	Trade payables	
	2017 **HK$'000**	2016 HK$'000
0–30 days	**20,662**	25,288
31–60 days	**4,022**	5,107
61–90 days	**381**	344
Over 90 days	**1,275**	1,729
	26,340	32,468

20. DERIVATIVE FINANCIAL INSTRUMENTS

On 3 December 2013, the Group entered into a share transfer agreement and a shareholder's agreement (the "Shareholder's Agreement") with Teknos Group Oy, an independent third party (the "Purchaser"). Pursuant to these agreements, the Group agreed to dispose of its 20% equity interest in Manfield Teknos (Changzhou) Chemical Company Limited ("Manfield Changzhou") to the Purchaser at a cash consideration of approximately RMB10 million (or equivalent to approximately HK$13 million) reducing the Group's equity interest in Manfield Changzhou to 60% upon completion. In addition, the Group has a right ("Put Option") to dispose of its further 40% equity interests in Manfield Changzhou at a consideration pre-described in the Shareholder's Agreement (the "Price") for a period of five years from the date of the Shareholder's Agreement. According to the Shareholder's Agreement, the Purchaser has a right ("Call Option") to acquire further 40% equity interests in Manfield Changzhou from the Group at the Price starting from the sixth years from the date of the Shareholder's Agreement (no definite period set out in the Shareholder's Agreement) if the Group does not exercise its right to dispose of its 40% equity interests in Manfield Changzhou during the first five years period.

At the date of further disposal of 40% equity interests in Manfield Changzhou, the Price is determined at the higher of (i) 40% of the net assets value of Manfield Changzhou plus a premium at the date of such further disposal or (ii) 6 times of earnings before interest, taxes, depreciation and amortisation ("EBITDA") for the period of twelve months immediately before the date of such further disposal; or (iii) RMB20,500,000.

20. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

The Put Option and Call Option ("Options") are classified as derivative financial instruments at initial recognition.

	2017 HK$'000	2016 HK$'000
Options assets	**433**	1,702

The movement of the Options is set out below:

	HK$'000
At 1 January 2016	1,638
Change in fair value	64
At 31 December 2016	1,702
Change in fair value	(1,269)
At 31 December 2017	433

The fair values of Options at the end of the reporting period were determined by an independent valuer, Asset Appraisal Limited, using the Binominal Option Pricing Model. The inputs into the model are as follows:

	2017	2016
The Price	**RMB21,365,560**	RMB23,863,874
Equity value *(note a)*	**RMB21,365,560**	RMB23,863,874
Expected volatility *(note b)*	**23.97%**	35.87%
Time-to-maturity	**0.92**	1.92
Dividend yield	**0%**	0%
Risk-free rate *(note c)*	**2.72%**	2.75%

Notes:

(a) The equity value was determined with reference to net assets value of Manfield Changzhou plus a premium.

(b) Expected volatility for the Options is based on the historical daily price movements of comparable listed companies in the same industry. The expected volatility has been adjusted, based on management's best estimate, for the effects of non-marketability, exercise restrictions and behavioural considerations.

(c) The risk-free rate is determined by reference to the yield of China Government Bond with similar maturities.

As at 31 December 2016, the directors of the Company represented that they had no intention to exercise the Put Option within twelve months. Accordingly the respective derivative financial instruments were classified as non-current assets as at 31 December 2016.

21. DISPOSAL GROUP HELD FOR SALE

As at 31 December 2017, the Group has the right to dispose 40% equity interest in Manfield Changzhou within twelve months (details as set out in note 20). After this disposal, the Group's shareholding in Manfield Changzhou will be changed from 60% to 20%. The management of the Group has been reviewing and considering to exercise the Put Option if such exercise could bring benefit to the shareholders of the Company. The assets and liabilities attributable to Manfield Changzhou have been classified as a disposal group held for sale and are presented separately in the consolidated statement of financial position. The net proceeds of disposal are expected to exceed the net carrying amount of the relevant assets and liabilities and accordingly, no impairment loss has been recognised.

The major classes of assets and liabilities of Manfield Changzhou as at 31 December 2017, which have been presented separately in the consolidated statement of financial position, are as follows:

	HK$'000
Property, plant and equipment	12,088
Prepaid lease payments	4,514
Deposits for purchase of property plant and equipment and prepaid lease payment	2,438
Inventories	8,575
Trade and other receivables	11,561
Bank balances and cash	1,001
Total assets classified as held for sale	40,177
Trade and other payables and total liabilities associated with assets classified as held for sale	11,260

Cumulative amount of HK$2,548,000 relating to the disposal group classified as held for sale has been recognised in other comprehensive income and included in equity.

22. SHARE CAPITAL

	Number of shares	Share capital HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2016, 31 December 2016 and 2017	10,000,000,000	100,000
Issued:		
At 1 January 2016, 31 December 2016 and 2017	600,000,000	6,000

23. COMMITMENTS

(a) Capital commitments

	2017 **HK$'000**	2016 HK$'000
Capital expenditure in respect of the acquisition of:		
Property, plant and equipment contracted for but not provided in the consolidated financial statements	**2,357**	1,263

(b) Other commitments

	2017 **HK$'000**	2016 HK$'000
Proposed purchase of land contracted for but not provided in the consolidated financial statements *(note)*	**8,747**	8,174

Note: On 10 September 2012, the Group entered into a sales and purchase agreement with a company owned by Mr. Yuen to acquire two pieces of land located in the PRC at an aggregate cash consideration of RMB3,367,000 (equivalent to HK$4,154,000). Deposit of RMB673,000 (equivalent to HK$831,000) was paid during the year ended 31 December 2012. The remaining balance of RMB2,694,000 was included as commitment as at 31 December 2016 and 2017, equivalent to HK$3,012,000 and HK$3,223,000 respectively. The purchase of these two pieces of land had not yet been completed up to 31 December 2017.

On 22 May 2015, the Group entered into a sales and purchase agreement with the People's Government of Luoyang Town, Wujin District, Changzhou City to acquire a piece of land located in the PRC at a cash consideration of RMB6,579,000 (equivalent to HK$7,852,000). Deposit of RMB1,961,000 (equivalent to HK$2,340,000) was paid with the remaining balance of RMB4,618,000 was included as commitment as at 31 December 2016 and 2017, equivalent to HK$5,162,000 and HK$5,524,000 respectively. The purchase of the land had not yet been completed up to 31 December 2017. Deposit of RMB1,961,000 (equivalent to HK$2,340,000) has been reclassified as held for sale as at 31 December 2017.

24. OPERATING LEASE COMMITMENTS

The Group as lessor

At the end of the reporting period, the Group had contracted with subsidiaries of an associate for the following future minimum lease payments under non-cancellable operating leases in respect of rented office and factory premises which fall due as follows:

	2017 HK$'000	2016 HK$'000
Within one year	**1,809**	1,539
In the second to fifth year inclusive	**3,112**	175
	4,921	1,714

Lease was negotiated and monthly rentals were fixed for term of one to two years.

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments in respect of office and factory premises under non-cancellable operating leases which fall due as follows:

	2017 HK$'000	2016 HK$'000
Within one year	**534**	2,253
In the second to fifth year inclusive	**–**	178
	534	2,431

Leases are negotiated and monthly rentals are fixed for term of one to two years.

25. RELATED PARTY TRANSACTIONS

During the year, saved as disclosed elsewhere in the consolidated financial statements, the Group also had the following transactions with its related parties:

Relationship	Nature of transactions	2017 HK$'000	2016 HK$'000
Subsidiaries of an associate	Sales of goods	**105,726**	127,156
	Subcontracting fee income	**–**	7,002
	Management fee income	**8,304**	9,027
	Rental income	**1,657**	1,668
	Transportation fee income	**1,446**	1,727
	Purchase of goods	**5,684**	15,633
	Royalty fee income	**3,708**	4,166
	Dividend received	**13,500**	13,500
A subsidiary of a non-controlling shareholder	Rental income	**693**	706
	Sales of goods	**9,522**	15,168
	Purchase of goods	**105**	190
A non-controlling shareholder	Purchase of goods	**527**	573

25. RELATED PARTY TRANSACTIONS *(Continued)*

Compensation of key management personnel

The remuneration of the executive directors, who represent the key management personnel of the Group, during the year were as follows:

	2017 HK$'000	2016 HK$'000
Short-term employee benefits	**4,172**	4,342
Post-employment benefits	**369**	357
	4,541	4,699

26. RETIREMENT BENEFITS SCHEMES

The Group participates in defined contribution schemes which are registered under the ORSO Scheme and the MPF Scheme established under the MPF Scheme Ordinance in December 2000. The assets of the schemes are held separately from those of the Group in funds under the control of trustees. Employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme were offered a choice of staying within the ORSO Scheme or switching to the MPF Scheme, whereas all new employees joining the Group on or after 1 December 2000 are required to join the MPF Scheme.

For members of the MPF Scheme, the Group and the employees contributes 5% of relevant payroll costs to the scheme. The maximum monthly contribution by the Group is limited to HK$1,500 per employee.

The ORSO Scheme is funded by monthly contributions by the Group at 7% of the employee's basic salary.

There are no forfeited contributions at the end of the reporting period which arose upon employees leaving the ORSO Scheme and which was available to reduce the contributions payable in future years.

Employees of the Company's PRC subsidiaries are required to participate in a defined contribution retirement scheme operated by the local municipal government. The PRC subsidiaries are required to contribute 10% of the employee payroll to such scheme to fund the retirement benefits of the employees.

The pension scheme contributions for the directors and employees, which have been dealt with in the consolidated statement of profit or loss for the year ended 31 December 2017 is HK$8,195,000 (2016: HK$7,824,000). No forfeited contributions have been applied to reduce the retirement benefits scheme contributions for the year.

27. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt balance and equity balance. Equity balance consists of equity attributable to owners of the Company, comprising issued share capital and reserves.

The management of the Group review the capital structure on an on-going annual basis. As part of this review, the management of the Group consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the management of the Group, the Group will balance its overall capital structure through the payment of dividends, new share issues and share repurchase as well as the issue of new debt.

28. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2017 HK$'000	2016 HK$'000
Financial assets		
Financial assets at fair value through profit or loss		
— Derivative financial instruments	**433**	1,702
Loans and receivables (including cash and cash equivalents)	**310,931**	309,771
Financial liabilities		
Amortised costs	**40,503**	47,245

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, bank balances and cash, trade and other payables, and derivative financial instruments. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below.

(i) Market risk

Currency risk

Several subsidiaries of the Company have foreign currency transactions, which expose the Group to foreign currency risk.

At the end of the reporting period, the carrying amounts of the relevant group entities' foreign currency denominated monetary liabilities recognised in the consolidated financial statements are as follows:

	2017 HK$'000	2016 HK$'000
United States dollars ("US$")	**95**	175

The carrying amounts of foreign currency denominated intra-group balances which have been eliminated in the consolidated financial statements of which the functional currency of the relevant entity is RMB at the end of the reporting period are as follows:

	Amounts due from group entities		Amounts due to group entities	
	2017 HK$'000	2016 HK$'000	2017 HK$'000	2016 HK$'000
HK$	**34,403**	25,896	**35,980**	34,059

28. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

(i) Market risk *(Continued)*

Currency risk *(Continued)*

Sensitivity analysis

As HK$ is pegged with US$, the Group's currency risk in relation to foreign currency denominated monetary liabilities is expected to be minimal. Therefore, the following sensitivity analysis does not include the effect between US$ and HK$.

The following sensitivity analysis includes only intra-group HK$ balances and adjusts its translation at the period end for a 10% change in HK$ rates against RMB. A positive number below indicates a increase in the post-tax profit for the year where HK$ weakening 10% against RMB. For a 10% strengthen of HK$ against RMB there would be an equal and opposite impact on the result for the year.

	2017 **HK$'000**	2016 HK$'000
Increase in post-tax profit for the year		
HK$	**118**	612

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to the Group's bank balances. The Group currently does not have interest rate hedging policy. However, management of the Group closely monitors its exposure to future cash flow interest rate risk as a result of change on market interest rate and will consider hedging changes in market interest rates should the need arise.

No sensitivity analysis is presented in the consolidated financial statements, as in the opinion of the management of the Group, no significant change in the bank interest rate is expected.

Other price risk

The Group is exposed to other price risk in respect of the derivative financial instruments (details set out in note 20) in relation to the disposal of further 40% equity interests in Manfield Changzhou. The management of the Group would manage its exposure arising from these derivative financial instruments by closely monitoring the change in fair value of the derivatives.

No sensitivity analysis is presented in the consolidated financial statements as in the opinion of the management of the Group, no significant changes in the fair value of the derivatives are expected.

28. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

(ii) Credit risk

As at 31 December 2016 and 2017, the maximum exposure to credit risk of the Group which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position.

In order to manage its credit risk, the management of the Group has a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Credit sales of products are only made to customers with good repayment history. In addition, the Group reviews the recoverable amount of individual debt on an on-going basis to ensure that adequate impairment losses are made for irrecoverable amounts.

For the year ended 31 December 2017, the Group recognised impairment losses on trade receivables and other receivables of HK$666,000 (2016: HK$571,000) and HK$609,000 (2016: HK$621,000) respectively.

The credit risk on liquid funds of the Group is limited because the counterparties are banks with good reputation. Other than concentration of credit risk in certain bank balances which are deposited with a bank with high credit rating, the Group does not have any other significant concentration of credit risk.

(iii) Liquidity risk

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigates the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities which has been drawn up based on the undiscounted cash flows of the non-derivative financial liabilities based on the earliest date on which the Group can be required to pay.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of reporting period.

	Effective interest rate %	On demand or less than 1 month HK$'000	Within 1 year HK$'000	Total undiscounted cash flow HK$'000	Total carrying amount HK$'000
As at 31 December 2017					
Non-derivative financial liabilities					
Trade and other payables	**–**	**34,825**	**5,678**	**40,503**	**40,503**
As at 31 December 2016					
Non-derivative financial liabilities					
Trade and other payables	–	39,729	7,516	47,245	47,245

(c) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

The Group's financial assets and financial liabilities are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of financial assets and financial liabilities are determined (in particular, the valuation techniques and inputs used), as well as the level of 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.

28. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis *(Continued)*

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets/ financial liabilities	Fair value as at 31 December 2017	Fair value as at 31 December 2016	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs
Options classified as derivative financial instruments	Assets – HK$433,000	Assets – HK$1,702,000	Level 3	Binominal Option Pricing Model The key inputs are risk-free interest rate, equity value of Manfield Changzhou, expected volatility, dividend yield and the Price.	Equity value of Manfield Changzhou, the Price and expected volatility

There were no transfers between Level 1 and 2 during both years.

Reconciliation of Level 3 fair value measurements of derivative financial instruments

	HK$'000
At 1 January 2016	1,638
Change in fair value — unrealised	64
At 31 December 2016	1,702
Change in fair value — unrealised	(1,269)
At 31 December 2017	433

Fair value measurements and valuation processes

In estimating the fair value of an asset or a liability, where Level 1 inputs are not available, the management of the Group work closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

The qualified external valuers were engaged to perform the valuations of the options required for financial reporting purposes, including Level 3 fair value measurements of derivative financial instruments. Information about the valuation techniques and inputs used in determining the fair value of derivative financial instruments are disclosed above and in note 20.

(d) Fair value of the Group's financial assets and financial liabilities that are measured at amortised cost

The management of the Group estimates the fair value of its financial assets and financial liabilities measured at amortised cost using discounted cash flows analysis. The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

29. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period includes:

	As at 31 December 2017 HK$'000	As at 31 December 2016 HK$'000
Non-current assets		
Unlisted investment in a subsidiary	**124,556**	119,072
Amounts due from subsidiaries	**53,498**	–
	178,054	119,072
Current assets		
Other receivables	**145**	205
Amount due from subsidiaries	**–**	39,439
Bank balances and cash	**85,087**	101,036
	85,232	140,680
Current liability		
Other payables	**(720)**	(600)
Net current assets	**84,512**	140,080
Total assets less current liability	**262,566**	259,152
Capital and reserves		
Share capital	**6,000**	6,000
Reserves	**256,566**	253,152
Total equity	**262,566**	259,152

Movement in reserves	**Share premium** HK$'000	**Other reserve** HK$'000 (note)	**(Accumulated loss) retained profits** HK$'000	**Total** HK$'000
At 1 January 2016	133,883	118,994	(19,829)	233,048
Profit and total comprehensive income for the year	–	–	35,104	35,104
Dividend paid	–	–	(15,000)	(15,000)
At 31 December 2016	133,883	118,994	275	253,152
Profit and total comprehensive income for the year	–	–	18,414	18,414
Dividend paid	–	–	(15,000)	(15,000)
At 31 December 2017	133,883	118,994	3,689	256,566

Note: The other reserve represents the total equity of Rookwood Investments Limited upon the Company became the holding company of Rookwood Investments Limited.

30. PARTICULAR OF SUBSIDIARIES

Name of subsidiary	Place and date of incorporation/ establishment	Country/ place of operation	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group as at 2017	2016	Principal activities
Rookwood Investments Limited	BVI 18 October 2000	Hong Kong	US$10,000	**100%**	100%	Investment holding
Manfield Coatings Company Limited	Hong Kong 6 June 1986	Hong Kong	HK$1,000 Ordinary shares HK$32,000,000 Non-voting class A shares *(note i)*	**100%**	100%	Investment holding and trading of coatings
Manfield Chemical Limited	Hong Kong 15 August 1989	Hong Kong	HK$10,000	**100%**	100%	Investment holding
Manfield Chemical Investment Limited	Hong Kong 4 October 2017	Hong Kong	HK$10,000	**100%**	–	Not yet commenced business
Springfield Chemical Company Limited	Hong Kong 11 March 2005	Hong Kong	HK$1	**100%**	100%	Investment holding
深圳松輝化工有限公司 Shenzhen Pinefield Chemical Enterprises Company Ltd *(notes ii and v)*	PRC 19 June 1990	PRC	US$5,500,000 Paid-up registered capital	**100%**	100%	Manufacturing of coatings
廣州市彩輝化工有限公司 Champion Chemical (Guangzhou) Company Limited *(notes ii, iv and v)*	PRC 4 December 2002	PRC	HK$3,000,000 Paid-up registered capital	**–**	100%	Deregistered
萬輝泰克諾斯（常州）化工有限公司 Manfield Teknos (Changzhou) Chemical Company Limited *(notes ii and v)*	PRC 17 January 2007	PRC	HK$55,000,000 Paid-up registered capital	**60%**	60%	Manufacturing of coatings
Manfield (Guangzhou) Innovative Materials Limited (formerly known as Springfield Chemical (Guangzhou) Company Limited) *(note ii)*	PRC 12 March 2009	PRC	RMB70,000,000 Paid-up registered capital	**100%**	100%	Manufacturing of coatings
蘇州科思特塗料有限公司 Suzhou Kesite Coatings Company Limited *(notes iii and v)*	PRC 10 June 2010	PRC	RMB3,000,000 Paid-up registered capital	**100%**	100%	Trading of coatings
福州艾薩商貿有限責任公司 Fuzhou Aisa Trading Company Limited *(notes iii and v)*	PRC 4 April 2014	PRC	RMB1,000,000 Paid-up registered capital	**65%**	65%	Not yet commenced business

Notes:

(i) The non-voting class A shares practically carry no rights to dividends, no rights to attend or vote at general meetings and no rights to receive any surplus assets in a return of capital in a winding-up.

(ii) The companies are registered in the form of wholly owned foreign enterprises.

(iii) The companies are registered in the form of domestic limited liability company.

(iv) The subsidiary deregistered during the year ended 31 December 2017.

(v) English translated name is for identification only.

None of the subsidiaries has issued any debt securities at the end of the year.

FINANCIAL SUMMARY

	For the year ended 31 December				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**374,161**	396,172	331,572	328,047	314,442
Profit (loss) for the year attributable to					
Owners of the Company	**6,105**	41,603	44,305	41,431	62,872
Non-controlling interests	**(2,914)**	404	(360)	584	408
	3,191	42,007	43,945	42,015	63,280

	As at 31 December				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and liabilities					
Total assets	**710,611**	687,025	684,209	573,522	542,523
Total liabilities	**(55,249)**	(49,755)	(42,381)	(76,891)	(82,125)
	655,362	637,270	641,828	496,631	460,398
Equity attributable to owners of the Company	**641,229**	621,234	625,113	478,523	448,482
Non-controlling interests	**14,133**	16,036	16,715	18,108	11,916
	655,362	637,270	641,828	496,631	460,398