



# CNT GROUP LIMITED

## 北海集團有限公司

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

Interim Report 2014







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# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

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

### Non-executive Directors

Chan Wa Shek  
Zhang Yulin  
Ko Sheung Chi

### Independent Non-executive Directors

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

## AUDIT COMMITTEE

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

## REMUNERATION COMMITTEE

Sir David Akers-Jones (*Chairman*)  
Lam Ting Ball, Paul  
Danny T Wong

## COMPANY SECRETARY

Fok Pik Yi, Carol

## AUDITORS

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

## SHARE REGISTRARS

### Hong Kong

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

### Bermuda

Codan Services Limited  
Clarendon House, 2 Church Street,  
Hamilton HM 11, Bermuda

## PRINCIPAL BANKERS

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

## REGISTERED OFFICE

Clarendon House, 2 Church Street,  
Hamilton HM 11, Bermuda

## PRINCIPAL OFFICE

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

## WEBSITE

[www.cntgroup.com.hk](http://www.cntgroup.com.hk)

# Interim Results

The board of directors (the "Board") of CNT Group Limited (the "Company") presents the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2014 together with comparative amounts for the corresponding period in 2013. The condensed consolidated interim financial statements have not been audited, but have been reviewed by the Company's audit committee.

## Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2014

	Notes	Six months ended 30 June	
		2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
REVENUE	3	628,328	659,413
Cost of sales		(458,572)	(500,406)
Gross profit		169,756	159,007
Other income and gains, net	3	7,587	12,024
Selling and distribution expenses		(65,784)	(65,260)
Administrative expenses		(57,881)	(58,610)
Other expenses, net		(1,834)	(9,847)
		51,844	37,314
Equity-settled share option expense	13	(916)	(1,659)
Fair value gains on investment properties	10	20,907	–
Finance costs	4	(1,943)	(1,755)
Share of profits and losses of associates		1,005	3,978
PROFIT BEFORE TAX	5	70,897	37,878
Income tax expenses	6	(14,812)	(12,901)
PROFIT FOR THE PERIOD		56,085	24,977
PROFIT/(LOSS) ATTRIBUTABLE TO:			
Owners of the parent		55,245	24,992
Non-controlling interests		840	(15)
		56,085	24,977
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	7		
Basic and diluted		HK2.93 cents	HK1.32 cents

# Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2014

	<b>Six months ended 30 June</b>	
	<b>2014</b>	2013
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
PROFIT FOR THE PERIOD	<b>56,085</b>	24,977
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<b>(17,757)</b>	11,150
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods:		
Share of other comprehensive loss of an associate	<b>(38)</b>	(18)
Gains on property revaluation	<b>74,115</b>	–
Total other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods	<b>74,077</b>	(18)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD	<b>56,320</b>	11,132
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<b>112,405</b>	36,109
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Owners of the parent	<b>111,679</b>	36,041
Non-controlling interests	<b>726</b>	68
	<b>112,405</b>	36,109

# Condensed Consolidated Statement of Financial Position

As at 30 June 2014

	Notes	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	288,705	321,764
Investment properties	10	410,936	293,794
Properties under development		28,000	28,000
Prepaid land lease payments		21,966	22,800
Interests in associates		17,244	16,277
Available-for-sale investments		96,083	96,083
Deposits for purchases of properties, and plant and equipment		27,715	28,406
Net pension scheme assets		3,297	3,297
Deferred tax assets		3,808	3,572
Total non-current assets		897,754	813,993
<b>CURRENT ASSETS</b>			
Inventories		79,930	88,543
Trade and bills receivables	11	363,204	328,869
Prepayments, deposits and other receivables		34,927	42,954
Equity investment at fair value through profit or loss		–	312
Structured deposits		189,014	167,377
Pledged deposit		1,015	–
Restricted cash		49,984	51,232
Cash and cash equivalents		226,282	276,662
Total current assets		944,356	955,949
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	12	169,405	176,471
Other payables and accruals		149,367	168,756
Derivative financial instrument		15	15
Due to an associate		2,550	2,550
Interest-bearing bank and other borrowings		189,183	181,316
Tax payable		17,160	14,902
Total current liabilities		527,680	544,010
NET CURRENT ASSETS		416,676	411,939
TOTAL ASSETS LESS CURRENT LIABILITIES		1,314,430	1,225,932

# Condensed Consolidated Statement of Financial Position

As at 30 June 2014

	Notes	<b>30 June 2014 (Unaudited) HK\$'000</b>	31 December 2013 (Audited) HK\$'000
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings		<b>24,925</b>	27,909
Deferred tax liabilities		<b>35,760</b>	34,688
Deferred income		<b>3,426</b>	3,676
		<hr/>	<hr/>
Total non-current liabilities		<b>64,111</b>	66,273
		<hr/>	<hr/>
Net assets		<b>1,250,319</b>	1,159,659
		<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Issued capital		<b>188,841</b>	188,841
Reserves		<b>1,056,885</b>	966,951
		<hr/>	<hr/>
		<b>1,245,726</b>	1,155,792
<b>Non-controlling interests</b>		<b>4,593</b>	3,867
		<hr/>	<hr/>
Total equity		<b>1,250,319</b>	1,159,659
		<hr/> <hr/>	<hr/> <hr/>



# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2014

	Attributable to owners of the parent												
	Issued share capital (Unaudited) HK\$'000	Share premium account (Unaudited) HK\$'000	Share option reserve (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Leasehold land and building revaluation reserve (Unaudited) HK\$'000	Investment property revaluation reserve* (Unaudited) HK\$'000	General reserve (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	Reserve funds** (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Non-controlling interests (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
At 1 January 2014	188,841	81,145	25,385	330,467	78,091	13,557	10,144	67,426	30,605	330,131	1,155,792	3,867	1,159,659
Profit for the period	-	-	-	-	-	-	-	-	-	55,245	55,245	840	56,085
Other comprehensive income/(loss) for the period:													
Share of other comprehensive loss of an associate	-	-	-	-	-	-	-	(20)	(18)	-	(38)	-	(38)
Gains on property revaluation	-	-	-	-	74,115	-	-	-	-	-	74,115	-	74,115
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	(17,643)	-	-	(17,643)	(114)	(17,757)
Total comprehensive income/(loss) for the period	-	-	-	-	74,115	-	-	(17,663)	(18)	55,245	111,679	726	112,405
Final 2013 dividend declared and paid	-	-	-	(22,661)	-	-	-	-	-	-	(22,661)	-	(22,661)
Equity-settled share option arrangement	-	-	916	-	-	-	-	-	-	-	916	-	916
<b>At 30 June 2014</b>	<b>188,841</b>	<b>81,145<sup>†</sup></b>	<b>26,301<sup>†</sup></b>	<b>307,806<sup>†</sup></b>	<b>152,206<sup>†</sup></b>	<b>13,557<sup>†</sup></b>	<b>10,144<sup>†</sup></b>	<b>49,763<sup>†</sup></b>	<b>30,587<sup>†</sup></b>	<b>385,376<sup>†</sup></b>	<b>1,245,726</b>	<b>4,593</b>	<b>1,250,319</b>

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2014

	Attributable to owners of the parent												
	Issued share capital (Unaudited) HK\$'000	Share premium account (Unaudited) HK\$'000	Share option reserve (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Leasehold land and building revaluation reserve (Unaudited) HK\$'000	Investment property revaluation reserve* (Unaudited) HK\$'000	General reserve (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	Reserve funds** (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Non-controlling interests (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
At 1 January 2013	188,841	81,145	22,627	349,351	46,499	13,557	10,144	47,780	30,517	164,775	955,236	3,704	958,940
Profit/(loss) for the period	-	-	-	-	-	-	-	-	-	24,992	24,992	(15)	24,977
Other comprehensive income/(loss) for the period:													
Share of other comprehensive loss of an associate	-	-	-	-	-	-	-	-	(18)	-	(18)	-	(18)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	11,067	-	-	11,067	83	11,150
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	-	11,067	(18)	24,992	36,041	68	36,109
Final 2012 dividend declared and paid	-	-	-	(18,884)	-	-	-	-	-	-	(18,884)	-	(18,884)
Equity-settled share option arrangement	-	-	1,659	-	-	-	-	-	-	-	1,659	-	1,659
At 30 June 2013	<u>188,841</u>	<u>81,145<sup>#</sup></u>	<u>24,286<sup>#</sup></u>	<u>330,467<sup>#</sup></u>	<u>46,499<sup>#</sup></u>	<u>13,557<sup>#</sup></u>	<u>10,144<sup>#</sup></u>	<u>58,847<sup>#</sup></u>	<u>30,499<sup>#</sup></u>	<u>189,767<sup>#</sup></u>	<u>974,052</u>	<u>3,772</u>	<u>977,824</u>

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

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

# These reserve accounts comprise the consolidated reserves of HK\$1,056,885,000 (30 June 2013: HK\$785,211,000) in the condensed consolidated statement of financial position.

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2014

	<b>Six months ended 30 June</b>	
	<b>2014</b> <b>(Unaudited)</b> <b>HK\$'000</b>	2013 (Unaudited) HK\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating profit before working capital changes	<b>62,631</b>	53,293
Decrease in inventories	<b>4,445</b>	21,065
Increase in trade and bills receivables	<b>(42,039)</b>	(64,565)
Decrease/(increase) in prepayments, deposits and other receivables	<b>7,310</b>	(1,078)
Decrease in trade and bills payables	<b>(3,964)</b>	(39,121)
Decrease in other payables and accruals	<b>(16,312)</b>	(10,591)
Exchange realignment	<b>1,289</b>	2,607
	<hr/>	<hr/>
Cash generated from/(used in) operations	<b>13,360</b>	(38,390)
Interest paid	<b>(1,927)</b>	(1,744)
Interest element of finance lease rental payments	<b>(7)</b>	(7)
Overseas taxes paid	<b>(11,550)</b>	(8,965)
	<hr/>	<hr/>
Net cash flows used in operating activities	<b>(124)</b>	(49,106)
	<hr/>	<hr/>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of items of property, plant and equipment	<b>(4,188)</b>	(3,871)
Proceeds from disposal of items of property, plant and equipment	<b>197</b>	51
Proceeds from sale of an equity investment at fair value through profit or loss	<b>323</b>	34
Additions to investment properties	<b>-</b>	(20,639)
Investment in structured deposits	<b>(378,716)</b>	(151,776)
Proceeds from structured deposits	<b>353,860</b>	75,028
Interest received	<b>1,863</b>	1,506
Dividend received from an associate	<b>-</b>	1,162
Deposits paid for purchases of property, plant and equipment	<b>(452)</b>	(86)
Decrease in time deposits with original maturity of more than three months when acquired	<b>1,248</b>	4,089
	<hr/>	<hr/>
Net cash flows used in investing activities	<b>(25,865)</b>	(94,502)
	<hr/>	<hr/>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
New bank loans	<b>170,314</b>	225,427
Repayment of bank loans	<b>(165,171)</b>	(153,711)
Dividend paid	<b>(22,661)</b>	(18,884)
Capital element of finance lease rental payments	<b>(115)</b>	(142)
	<hr/>	<hr/>
Net cash flows from/(used in) financing activities	<b>(17,633)</b>	52,690
	<hr/>	<hr/>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(43,622)</b>	(90,918)
Cash and cash equivalents at beginning of period	<b>276,662</b>	324,639
Effect of foreign exchange rate changes, net	<b>(6,758)</b>	4,960
	<hr/>	<hr/>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>226,282</b>	238,681

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2014

	Six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	184,136	188,089
Non-pledged time deposits with original maturity of less than three months when acquired	42,146	50,592
	<hr/>	<hr/>
Cash and cash equivalents as stated in the condensed consolidated statement of financial position and condensed consolidated statement of cash flows	<b>226,282</b>	238,681
	<hr/> <hr/>	<hr/> <hr/>

# Notes to the Condensed Consolidated Financial Statements

## 1. BASIS FOR PREPARATION AND ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The accounting policies and basis of preparation adopted in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2013, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”, which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA which are effective for the Group’s annual period beginning on 1 January 2014.

HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – <i>Investment Entities</i>
HKAS 32 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities</i>
HKAS 36 Amendments	Amendments to HKAS 36 <i>Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets</i>
HKAS 39 Amendments	Amendments to HKAS 39 <i>Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting</i>
HK(IFRIC)-Int 21	<i>Levies</i>

The adoption of these new and revised HKFRSs has had no significant financial effect on these unaudited condensed consolidated interim financial statements.

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

HKFRS 9	<i>Financial Instruments</i> <sup>5</sup>
HKFRS 9, HKFRS 7 and HKAS 39 Amendments	<i>Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39</i> <sup>5</sup>
HKFRS 11 Amendments	Amendments to HKFRS 11 <i>Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations</i> <sup>3</sup>
HKFRS 14	<i>Regulatory Deferral Accounts</i> <sup>3</sup>
HKFRS 15	<i>Revenue from Contracts with Customers</i> <sup>4</sup>
HKAS 16 and HKAS 38 Amendments	Amendments to HKAS 16 and HKAS 38 – <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> <sup>3</sup>
HKAS 19 Amendments	Amendments to HKAS 19 <i>Employee Benefits – Defined Benefit Plans: Employee Contributions</i> <sup>1</sup>
<i>Annual Improvements 2010-2012 Cycle</i>	Amendments to a number of HKFRSs issued in January 2014 <sup>2</sup>
<i>Annual Improvements 2011-2013 Cycle</i>	Amendments to a number of HKFRSs issued in January 2014 <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2014

<sup>2</sup> Generally effective of annual periods beginning, or transactions occurring, on or after 1 July 2014

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2016

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2017

<sup>5</sup> No mandatory effective date yet determined but is available for adoption

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on the Group’s results of operations and financial position.

These unaudited condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company’s annual financial statements for the year ended 31 December 2013.



# Notes to the Condensed Consolidated Financial Statements

## 2. OPERATING SEGMENT INFORMATION

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

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

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

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

Intersegment sales and transfers are transacted on mutually agreed terms.

# Notes to the Condensed Consolidated Financial Statements

## 2. OPERATING SEGMENT INFORMATION (continued)

The following tables present revenue and profit/(loss) information for the Group's reportable operating segments for the six months ended 30 June 2014 and 2013.

	Paint products (Unaudited) HK\$'000	Property investment (Unaudited) HK\$'000	Iron and steel trading (Unaudited) HK\$'000	Others (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
<b>Six months ended 30 June 2014</b>					
<b>Segment revenue:</b>					
Sales to external customers	473,512	7,236	147,428	152	628,328
Intersegment sales	–	10,080	–	4,727	14,807
Other revenue and gains	3,372	20,923	331	108	24,734
	476,884	38,239	147,759	4,987	667,869
<i>Reconciliation:</i>					
Elimination of intersegment sales					(14,807)
Total					653,062
<b>Segment results</b>					
	36,732	34,445	3,325	1,548	76,050
<i>Reconciliation:</i>					
Elimination of intersegment results					(431)
Interest income					1,863
Fair value gains on structured deposits, net					1,897
Finance costs					(1,943)
Equity-settled share option expense					(916)
Corporate and other unallocated expenses					(5,623)
Profit before tax					70,897

# Notes to the Condensed Consolidated Financial Statements

## 2. OPERATING SEGMENT INFORMATION (continued)

	Paint products (Unaudited) HK\$'000	Property investment (Unaudited) HK\$'000	Iron and steel trading (Unaudited) HK\$'000	Others (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
<b>Six months ended 30 June 2013</b>					
<b>Segment revenue:</b>					
Sales to external customers	472,389	3,854	183,170	–	659,413
Intersegment sales	–	5,797	–	3,484	9,281
Other revenue and gains	2,450	1,723	4,405	52	8,630
	<u>474,839</u>	<u>11,374</u>	<u>187,575</u>	<u>3,536</u>	<u>677,324</u>
<i>Reconciliation:</i>					
Elimination of intersegment sales					<u>(9,281)</u>
Total					<u><u>668,043</u></u>
<b>Segment results</b>	34,041	8,334	10,815	(10,676)	42,514
<i>Reconciliation:</i>					
Elimination of intersegment results					3,178
Interest income					1,506
Fair value gains on structured deposits					1,888
Finance costs					(1,755)
Equity-settled share option expense					(1,659)
Corporate and other unallocated expenses					<u>(7,794)</u>
Profit before tax					<u><u>37,878</u></u>

# Notes to the Condensed Consolidated Financial Statements

## 2. OPERATING SEGMENT INFORMATION (continued)

The following tables present segment assets as at 30 June 2014 and 31 December 2013, and segment capital expenditure for the six months ended 30 June 2014 and 2013 of the Group's reportable operating segments.

	Paint products (Unaudited) HK\$'000	Property investment (Unaudited) HK\$'000	Iron and steel trading (Unaudited) HK\$'000	Others (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
<b>At 30 June 2014</b>					
<b>Segment assets</b>	<b>637,332</b>	<b>557,557</b>	<b>78,826</b>	<b>97,220</b>	<b>1,370,935</b>
<i>Reconciliation:</i>					
Elimination of intersegment receivables					(2,572)
Corporate and other unallocated assets					473,747
Total assets					<b>1,842,110</b>
	Paint products (Audited) HK\$'000	Property investment (Audited) HK\$'000	Iron and steel trading (Audited) HK\$'000	Others (Audited) HK\$'000	Total (Audited) HK\$'000
<b>At 31 December 2013</b>					
<b>Segment assets</b>	<b>626,409</b>	<b>465,040</b>	<b>76,355</b>	<b>103,395</b>	<b>1,271,199</b>
<i>Reconciliation:</i>					
Elimination of intersegment receivables					(3,792)
Corporate and other unallocated assets					502,535
Total assets					<b>1,769,942</b>

# Notes to the Condensed Consolidated Financial Statements

## 2. OPERATING SEGMENT INFORMATION (continued)

	Paint products (Unaudited) HK\$'000	Property investment (Unaudited) HK\$'000	Iron and steel trading (Unaudited) HK\$'000	Others (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
<b>Six months ended 30 June 2014</b>					
<b>Segment capital expenditure:</b>					
Capital expenditure	4,621	18	–	–	4,639
Corporate and other unallocated					1
					<u>4,640*</u>
<b>Six months ended 30 June 2013</b>					
<b>Segment capital expenditure:</b>					
Capital expenditure	4,615	20,639	–	–	25,254
Corporate and other unallocated					3
					<u>25,257**</u>

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

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

During the six months ended 30 June 2014, revenue generated from one of the Group's customers in the iron and steel trading segment amounting to approximately HK\$90,224,000 (six months ended 30 June 2013: HK\$103,992,000) individually accounted for over 10% of the Group's revenue.



# Notes to the Condensed Consolidated Financial Statements

## 3. REVENUE, OTHER INCOME AND GAINS, NET

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

	Six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
<b>Revenue</b>		
Sale of paint products and related services	473,512	472,389
Sale of iron and steel products	147,428	183,170
Sale of wine	36	–
Gross rental income from investment properties	7,236	3,854
Advertising services income	116	–
	<u>628,328</u>	<u>659,413</u>
<b>Other income and gains, net</b>		
Bank interest income	1,863	1,506
Commission income	99	359
Government grants received from Mainland China authorities	2,378	1,053
Fair value gains, net		
Equity investment at fair value through profit or loss		
– held for trading	11	–
Structured deposits		
– Realised	332	935
– Unrealised	1,565	953
Gain on disposal of items of property, plant and equipment, net	19	–
Recognition of deferred income	162	160
Recovery of amounts due from an associate previously written off	–	3,813
Write-back of an amount due to an associate	–	1,710
Others	1,158	1,535
	<u>7,587</u>	<u>12,024</u>

# Notes to the Condensed Consolidated Financial Statements

## 4. FINANCE COSTS

An analysis of finance costs is as follows:

	<b>Six months ended 30 June</b>	
	<b>2014</b> <b>(Unaudited)</b> <b>HK\$'000</b>	2013 (Unaudited) HK\$'000
Interest on:		
Bank loans wholly repayable within five years	2,069	1,681
Bank loans not wholly repayable within five years	80	282
Finance leases	7	7
	<u>2,156</u>	<u>1,970</u>
Less: Interest capitalised	(213)	(215)
	<u><u>1,943</u></u>	<u><u>1,755</u></u>

## 5. PROFIT BEFORE TAX

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

	<b>Six months ended 30 June</b>	
	<b>2014</b> <b>(Unaudited)</b> <b>HK\$'000</b>	2013 (Unaudited) HK\$'000
Cost of inventories sold	458,572	500,406
Depreciation	9,093	10,460
Amortisation of prepaid land lease payments	282	279
Provision for impairment of trade receivables	1,543	1,300
Write-down/(write-back) of inventories to net realisable value, net	2,293	(665)
Loss/(gain) on disposal of items of property, plant and equipment, net*	(19)	3
Fair value losses/(gains), net:		
Equity investment at fair value through profit or loss – held for trading		
– Realised*	(11)	8
– Unrealised*	–	8,811
Foreign exchange differences, net*	1,774	912
	<u><u>1,774</u></u>	<u><u>912</u></u>

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

# Notes to the Condensed Consolidated Financial Statements

## 6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2013: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

The share of tax attributable to an associate amounting to HK\$133,000 (six months ended 30 June 2013: HK\$129,000) is included in "Share of profits and losses of associates" on the face of the condensed consolidated statement of profit or loss.

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

The calculation of the basic earnings per share amount is based on the profit for the six months ended 30 June 2014 attributable to ordinary equity holders of the parent of HK\$55,245,000 (six months ended 30 June 2013: HK\$24,992,000) and the weighted average number of ordinary shares of 1,888,405,690 (six months ended 30 June 2013: 1,888,405,690) in issue during the period.

No adjustment has been made to the basic earnings per share amount presented for the six months ended 30 June 2014 and 2013 in respect of a potential dilution as the exercise prices of the outstanding share options granted by the Company were higher than the average market price of the shares of the Company during these periods, and accordingly, the share options had no dilutive effect on the basic earnings per share amounts presented.

No other diluting events existed during the six months ended 30 June 2014 and 2013.

## 8. DIVIDEND

At the annual general meeting held on 5 June 2014, the Company's shareholders approved the distribution of the final dividend for the year ended 31 December 2013 of HK1.2 cents (year ended 31 December 2012: HK1 cent) per share which amounted to approximately HK\$22,661,000 (year ended 31 December 2012: HK\$18,884,000).

## 9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2014, the Group acquired items of properties, plant and equipment at costs of HK\$4,188,000 (six months ended 30 June 2013: HK\$4,532,000). Certain owner-occupied properties of HK\$23,525,000 were transferred to investment properties at the then fair value of HK\$97,640,000 following the end of owner-occupation, with gains on property valuation of HK\$74,115,000 recognised in other comprehensive income.

Items of properties, plant and equipment with an aggregate net book value of HK\$178,000 (six months ended 30 June 2013: HK\$54,000) were disposed of by the Group during the six months ended 30 June 2014, resulting in a net gain on disposal of HK\$19,000 (six months ended 30 June 2013: net loss on disposal of HK\$3,000).

# Notes to the Condensed Consolidated Financial Statements

## 10. INVESTMENT PROPERTIES

	<b>30 June 2014 (Unaudited) HK\$'000</b>	31 December 2013 (Audited) HK\$'000
Carrying amount at beginning of period/year	<b>293,794</b>	166,451
Additions	–	21,411
Fair value gains, net	<b>20,907</b>	48,616
Transfer from owner-occupied properties	<b>97,640</b>	42,720
Transfer from deposits for purchases of properties, and plant and equipment	–	13,019
Exchange realignment	<b>(1,405)</b>	1,577
	<hr/> <b>410,936</b> <hr/>	<hr/> 293,794 <hr/>
Carrying amount at end of period/year	<b>410,936</b>	293,794

The Group's investment properties consist of commercial and industrial properties in Hong Kong and the PRC. The directors of the Company have determined that the investment properties consist of four classes of asset, i.e. commercial and industrial in Hong Kong and the PRC, based on the nature, characteristics and risks of each property. The Group's investment properties were revalued on 30 June 2014 based on valuations performed by BMI Appraisals Limited, independent professionally qualified valuers. The Group's finance director selects external valuer to be responsible for the external valuation of the Group's properties based on market knowledge, reputation and independence of the external valuer, and whether professional standards are maintained by the external valuers. Fair values of the Group's investment properties are generally derived from using the income capitalisation method or depreciated replacement cost method. The Group's finance director has discussion with the external valuer on the valuation assumptions and valuation results when the valuation is performed for interim financial reporting.

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

Depreciated replacement cost method was adopted for an industrial property in the PRC due to the lack of an established market upon which to base comparable transactions, which generally furnishes the most reliable indication of value for assets without a known used market. Under this method, the value is calculated as the aggregate amount of the value of the land for the existing use or a notional replacement site in the same locality and the new replacement cost of the buildings and other site works, from which appropriate deductions may then be made to allow for the age, condition, economic or functional obsolescence and environmental factors, etc.

# Notes to the Condensed Consolidated Financial Statements

## 10. INVESTMENT PROPERTIES (continued)

### Fair value hierarchy

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

As at 30 June 2014

Investment properties held by the Group	Fair value hierarchy	Valuation techniques	Significant unobservable inputs	Range
Commercial properties in Hong Kong	Level 3	Income capitalisation	Prevailing market rents (per sq.ft. and per month)	HK\$26 to HK\$160
			Capitalisation rates	2.5% to 3.1%
Commercial properties in the PRC	Level 3	Income capitalisation	Prevailing market rents (per sq.m. and per month)	RMB120 to RMB170
			Capitalisation rates	4.0% to 4.5%
Industrial properties in Hong Kong	Level 3	Income capitalisation	Prevailing market rents (per sq.ft. and per month)	HK\$6.5 to HK\$24
			Capitalisation rates	3.5% to 8.6%
Industrial property in the PRC	Level 3	Depreciated replacement cost	Market unit rate of land (per sq.m.)	RMB495 to RMB610
			Current construction cost for building (per sq.m.)	RMB710 to RMB1,420
			Depreciation rate (p.a.)	2.5%

During the six months ended 30 June 2014, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (six months ended 30 June 2013: Nil).

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

Under depreciated replacement cost method, a significant increase (decrease) in the market unit of rate of land or current construction cost for building in isolation would result in a significant increase (decrease) in the fair value of the investment properties. A significant increase (decrease) in depreciation rate in isolation would result in a significant decrease (increase) in the fair value of the investment properties.



# Notes to the Condensed Consolidated Financial Statements

## 10. INVESTMENT PROPERTIES (continued)

### Fair value hierarchy (continued)

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

	Commercial properties in Hong Kong HK\$'000	Commercial properties in the PRC HK\$'000	Industrial properties in Hong Kong HK\$'000	Industrial property in the PRC HK\$'000
Carrying amount at 1 January	125,200	35,132	110,920	22,542
Fair value gains	8,000	812	11,470	625
Transfer from owner-occupied properties	24,500	–	73,140	–
Exchange realignment	–	(856)	–	(549)
	<u>157,700</u>	<u>35,088</u>	<u>195,530</u>	<u>22,618</u>
Carrying amount at 30 June	157,700	35,088	195,530	22,618

## 11. TRADE AND BILLS RECEIVABLES

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The Group maintains a defined credit policy and credit periods are usually granted ranging from one to three months to normal customers. The Group seeks to maintain strict control over its receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade and bills receivables relate to a large number of diversified customers and reputable banks, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade and bills receivables are non-interest-bearing.

An aged analysis of the trade and bills receivables as at the end of the reporting period, based on the invoice date and net of provision, is as follows:

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Within three months	325,365	298,456
Over three months and within six months	23,850	22,944
Over six months	13,989	7,469
	<u>363,204</u>	<u>328,869</u>

# Notes to the Condensed Consolidated Financial Statements

## 12. TRADE AND BILLS PAYABLES

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

	<b>30 June 2014 (Unaudited) HK\$'000</b>	31 December 2013 (Audited) HK\$'000
Within three months	<b>168,980</b>	170,817
Over three months and within six months	<b>417</b>	5,654
Over six months	<b>8</b>	–
	<b>169,405</b>	176,471

The trade payables are unsecured, non-interest-bearing and are normally settled on 60-day terms.

## 13. SHARE OPTION SCHEMES

### The 2002 Scheme

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

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

None of the share options granted on 27 May 2010 under the 2002 Scheme were exercised, cancelled or lapsed during the six months ended 30 June 2014 and 2013.

The fair value of the share options granted on 27 May 2010 was HK\$26,302,000, of which the Group recognised an equity-settled share option expense of HK\$916,000 during the six months ended 30 June 2014 (six months ended 30 June 2013: HK\$1,659,000).

At the end of the reporting period, the Company had 152,800,000 share options outstanding under the 2002 Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 152,800,000 additional ordinary shares of the Company and additional share capital of HK\$15,280,000 and share premium of HK\$51,952,000 (before issue expenses).

The 2002 Scheme expired on 27 June 2012 and no further options shall be issued thereafter but, in all other respects, the 2002 Scheme shall remain in force to the extent necessary to give effect to the exercise of the outstanding options granted. All outstanding share options under 2002 Scheme will continue to be valid and exercisable in accordance with the terms of the 2002 Scheme.

# Notes to the Condensed Consolidated Financial Statements

## 13. SHARE OPTION SCHEMES (continued)

### The 2012 Scheme

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

The 2012 Scheme will expire on 27 June 2022. During the six months ended 30 June 2014 and 2013, no share options were granted under the 2012 Scheme.

## 14. RELATED PARTY TRANSACTIONS

### (a) Outstanding balance with a related party

The amount due to an associate included in the Group's current liabilities as at 30 June 2014 of HK\$2,550,000 (31 December 2013: HK\$2,550,000) is unsecured, interest-free and repayable with not less than 30 days' prior written notice.

### (b) Compensation of key management personnel of the Group

	<b>Six months ended 30 June</b>	
	<b>2014</b>	2013
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Short term employee benefits	<b>4,637</b>	4,736
Post-employment benefits	<b>191</b>	190
	<hr/>	<hr/>
Total compensation paid/payable to key management personnel	<b>4,828</b>	4,926
	<hr/> <hr/>	<hr/> <hr/>

## 15. CAPITAL COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	<b>30 June</b>	31 December
	<b>2014</b>	2013
	<b>(Unaudited)</b>	(Audited)
	<b>HK\$'000</b>	HK\$'000
Contracted, but not provided for:		
Purchases of land use rights	<b>1,952</b>	2,000
Construction and purchases of items of property, plant and equipment	<b>3,942</b>	11,944
	<hr/>	<hr/>
	<b>5,894</b>	13,944
	<hr/> <hr/>	<hr/> <hr/>

# Notes to the Condensed Consolidated Financial Statements

## 16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values and available-for-sale investments which carried at cost less impairment, are as follows:

	Carrying amounts		Fair values	
	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
<b>Financial assets</b>				
Equity investment at fair value through profit or loss	–	312	–	312
Structured deposits	<b>189,014</b>	167,377	<b>189,014</b>	167,377
	<b>189,014</b>	167,689	<b>189,014</b>	167,689
<b>Financial liabilities</b>				
Derivative financial instrument	<b>15</b>	15	<b>15</b>	15
Interest-bearing bank and other borrowings	<b>214,108</b>	209,225	<b>213,941</b>	209,031
	<b>214,123</b>	209,240	<b>213,956</b>	209,046

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

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

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

The fair values of the non-current portion of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments on similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank and other borrowings as at 30 June 2014 was assessed to be insignificant.

The fair value of an listed equity investment at fair value through profit or loss is based on quoted market prices.

The fair value of the structured deposits are determined in accordance with discounted cash flow analysis or other generally accepted pricing models using observable market data.

# Notes to the Condensed Consolidated Financial Statements

## 16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

The Group enters into a derivative financial instrument with a financial institution with high credit ratings. Derivative financial instruments are measured using valuation techniques similar to swap model, using present value calculations. The model incorporate various market observable inputs including the credit quality of counterparty and interest rate curves. The carrying amounts of interest rate swaps are the same as their fair values.

The fair value of financial assets and financial liabilities carried at amortised cost approximate their carrying amounts.

### Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

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

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

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
<i>Assets measured at fair value:</i>				
<b>At 30 June 2014</b>				
Structured deposits	–	189,014	–	189,014
<b>At 31 December 2013</b>				
Listed equity investment at fair value through profit or loss	312	–	–	312
Structured deposits	–	167,377	–	167,377
	312	167,377	–	167,689
<i>Liability measured at fair value:</i>				
<b>At 30 June 2014</b>				
Derivative financial instrument	–	15	–	15
<b>At 31 December 2013</b>				
Derivative financial instrument	–	15	–	15

# Notes to the Condensed Consolidated Financial Statements

## 16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

### Fair value hierarchy (continued)

During the six months ended 30 June 2014, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (six months ended 30 June 2013: Nil).

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
<i>Liabilities for which fair values are disclosed:</i>				
<b>At 30 June 2014</b>				
Interest-bearing bank and other borrowings	–	213,941	–	213,941
<b>At 31 December 2013</b>				
Interest-bearing bank and other borrowings	–	209,031	–	209,031

## 17. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current period's presentation. In the opinion of the directors, such reclassification results in a more appropriate presentation and better reflects the nature of the transactions.

## 18. APPROVAL OF THE INTERIM FINANCIAL REPORT

These unaudited condensed consolidated interim financial statements were approved and authorised for issue by the Board on 28 August 2014.

# Management Discussion and Analysis

## BUSINESS REVIEW

In the first half of 2014, Mainland China achieved stable economic growth thanks to a series of macro stabilizing measures which provide support to economic reforms and structural adjustments. According to the preliminary accounting results of the gross domestic product for the first half of 2014 published by the National Bureau of Statistics of China, Mainland China's gross domestic product grew by 7.4% for the first half of 2014, indicating a moderate growth rate compared with 7.6% for the same period of 2013. The Group actively responded to the market changes and adopted appropriate sales strategies and marketing activities to promote our paint products. The Group's core paint operation continued to maintain the segment revenue as well as segment profit.

The Group recorded a profit attributable to the shareholders of the parent company of approximately HK\$55.25 million for the six months ended 30 June 2014 as compared with that of approximately HK\$24.99 million for the last corresponding period. The increase in the profit attributable to the shareholders of the parent company was mainly due to the recognition of fair value gains on investment properties of approximately HK\$20.91 million during the period under review.

The Group recorded revenue of approximately HK\$628.33 million representing a decrease of 4.7% when compared with last corresponding period. The decrease in Group's revenue was mainly due to the decrease in revenue from the trading of iron and steel products. The Group's gross profit for the period increased by 6.8% when compared with that of last corresponding period to approximately HK\$169.76 million. The increase in gross profit was mainly due to the improvement of gross profit margin during the period under review.

The manufacturing and sale of paint products continued to be the core business of the Group and contributed approximately 75.4% to the Group's total revenue for the period under review.

### Paint Products

Revenue for the period amounted to approximately HK\$473.51 million representing an increase of 0.2% when compared with last corresponding period. The drop in raw material costs and the strict control on overheads contributed the increase in gross profit. The segment profit was improved to approximately HK\$36.73 million, representing an increase of approximately 7.9% when compared with last corresponding period.

# Management Discussion and Analysis

## Property Investment

Revenue for the period amounted to approximately HK\$7.24 million when compared with that of approximately HK\$3.85 million in last corresponding period. Segment profit amounted to approximately HK\$34.45 million when compared with that of approximately HK\$8.33 million in last corresponding period. The increase in segment profit for the period was mainly due to the increase in the fair value gains on the investment properties and the increase in rental income.

Due to the rapid development of technology and the decrease in the demand of walk-in customer service, the Group closed the paint products customer service centre in Mong Kok, Hong Kong and put the shop into property market for lease in order to earn the rental income. Besides, the Group has implemented a series of procedures to improve the efficiency of logistic flow and to reduce the lead time of the paint products to be delivered from the PRC to Hong Kong. The inventory control policy successfully reduced the inventory level in the warehouse in Sai Kung, Hong Kong. In view of the reduction of storage space, the Group leased out the spare space of the warehouse to third parties in order to broaden the portfolio of the Group's property investment to increase the rental income as well as the future capital appreciation.

The application under Section 16 of Town Planning Ordinance to seek Town Planning Board's ("TPB") approval for a proposed columbarium on the Group's existing land located in Au Tau, Yuen Long, Hong Kong was refused. The Group had submitted further information in respect of the application to TPB under Section 17 of Town Planning Ordinance. In July 2014, TPB decided to publish the further information for public comments. It is expected that the Group will receive a reply from TPB in 2014.

## Iron and Steel Trading and Related Investments

Revenue for the period amounted to approximately HK\$147.43 million when compared with that of approximately HK\$183.17 million in last corresponding period. The decrease in revenue was mainly due to the decrease in demand of tin plate products in the PRC. The segment profit for the period amounted to approximately HK\$3.33 million when compared with that of approximately HK\$10.82 million in last corresponding period. The decrease in segment profit for the period was mainly due to the decrease in other income and decrease in share of profit from an associate.

## Available-for-sale Investments

The Group has an effective interest of 11.9% in the cemetery project situated in Sihui, Guangdong Province, the PRC. The principal activities of which are the development, construction, management and operation of a cemetery. The main types of products of the cemetery are outdoor grave lots, ordinary columbarium niches and luxury columbarium niches. Sales offices are established in Hong Kong and South China region for marketing purpose. Recently, the Chinese Government has approved to establish a martyr memorial cemetery within the memorial park to commemorate martyrs so as to attract people to pay tribute and remembrance to the martyrs. It is believed that this establishment can enhance customer awareness and improve sales in the long run.



# Management Discussion and Analysis

## FINANCIAL REVIEW

### Liquidity and Financial Information

The Group's business operation is generally financed by its internal funding and bank borrowings. The cash and cash equivalents amounted to approximately HK\$226.28 million as at 30 June 2014 compared with approximately HK\$276.66 million as at 31 December 2013. The total cash and bank balances, including structured deposits, pledged deposit and restricted cash, amounted to approximately HK\$466.30 million as at 30 June 2014 compared with approximately HK\$495.27 million as at 31 December 2013. Bank and other borrowings amounted to approximately HK\$214.11 million as at 30 June 2014 compared with approximately HK\$209.23 million as at 31 December 2013. The Group's bank and other borrowings mainly bear interest at floating rates. Of the Group's total bank and other borrowings as at 30 June 2014, approximately HK\$189.18 million (88.4%) is payable within one year, approximately HK\$5.89 million (2.7%) is payable in the second year, approximately HK\$16.93 million (7.9%) is payable in the third to fifth years and the remaining balance of HK\$2.11 million (1.0%) is payable beyond the fifth year.

The Group's cash, bank balances and bank and other borrowings were mainly denominated in Hong Kong Dollars and Renminbi. The Group's results can be affected by movements in the exchange rate between Hong Kong Dollars and Renminbi. However, in view of the strong and supportive treasury policy in Mainland China, the Renminbi exchange rate is expected to remain relatively stable and hence the Group's currency exposure is not significant. The Group considers that no hedging measures are necessary.

Gearing ratio of the Group which is expressed as a percentage of total bank and other borrowings to adjusted capital (as defined below) was 19.8% as at 30 June 2014 compared with 19.7% as at 31 December 2013. Liquidity ratio of the Group which is expressed as a percentage of current assets to current liabilities was 1.79 times as at 30 June 2014 compared with 1.76 times as at 31 December 2013.

### Equity and Net Asset Value

Shareholders' funds of the Group as at 30 June 2014 was approximately HK\$1,245.73 million compared with approximately HK\$1,155.79 million as at 31 December 2013. Adjusted capital of the Group, being shareholders' fund less the leasehold land and building revaluation reserve and investment property revaluation reserve, as at 30 June 2014 was approximately HK\$1,079.96 million compared with approximately HK\$1,064.14 million as at 31 December 2013. Net asset value per share as at 30 June 2014 was approximately HK\$0.66 compared with approximately HK\$0.61 as at 31 December 2013.

### Contingent Liabilities

Guarantees issued by the Company to bankers to secure general banking facilities granted to various subsidiaries outstanding as at 30 June 2014 amounted to approximately HK\$212.85 million compared with approximately HK\$203.38 million as at 31 December 2013.

### Pledge of Assets

At 30 June 2014, certain land and buildings, investment properties, restricted cash and cash deposits with aggregate net book value of approximately HK\$508.39 million (31 December 2013: HK\$419.05 million) were pledged to banks as collaterals for bank and other borrowings. At 30 June 2014, total outstanding secured bank and other borrowings amounted to approximately HK\$197.93 million as compared with approximately HK\$209.23 million as at 31 December 2013.

# Management Discussion and Analysis

## STAFF

As at 30 June 2014, the Group's staff headcount was 1,172 (30 June 2013: 1,122). Staff costs (excluding directors' emoluments) amounted to approximately HK\$84.25 million for the period under review as compared with approximately HK\$81.45 million for the last corresponding period. The Group has a comprehensive and competitive staff remuneration and benefits system which is formulated on the performance of individual employees.

## OUTLOOK

Looking forward to the second half of 2014, the recovery of the global economy is anticipated to maintain stable growth. It is expected that Mainland China will achieve healthy economic development for the year resulting from the Chinese Government's macro stabilizing measures which aim to stimulate the market, increase public goods supplies and support economic development. The measures includes the relaxation of one child policy, rural land reform, interest rate and capital accounts liberalization, and the acknowledgement of private enterprises as the key driver of the economy. Also, the Chinese Government planned to build more than 7 million units of government-subsidised housing in 2014. The Chinese Government started to build 75.7% of the total planned units as at 30 June 2014. It is expected that the economy and property markets of Mainland China will grow healthily and stable. Mainland China's increasing urban population and urbanization, as well as the ongoing improvement in household disposable income and living standards are expected to give a strong impetus to the demand for paint products in Mainland China. The Group believes that our paint operation will benefit from the urbanisation and the growth of household income in Mainland China.

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

In the property market of Hong Kong, the Hong Kong Government implemented several harsh administrative measures (Buyer's Stamp Duty, Special Stamp Duty and Double Stamp Duty) to dampen investment demand and contain the property prices. However, the underlying demand continues to be strong. It is believed that this trend will continue until the interest rate environment finally turns. As a majority of commercial leases due for renewal have been committed, the Group is expected to have a steady performance for the rest of the year.

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

## Other Information

### INTERIM DIVIDEND

The directors of the Company have resolved not to declare an interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

### PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the period under review.

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

As at 30 June 2014, the interests of the directors of the Company in the shares and underlying shares of the Company as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO") were as follows:

Name	Capacity	Number of shares				Total	Percentage of issued share capital
		Personal interests	Family interests	Corporate interests	Other interests		
Tsui Ho Chuen, Philip	Interest of controlled corporation	-	-	498,053,620 (Note)	-	498,053,620	26.37%

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

Save as disclosed above, as at 30 June 2014, none of the directors or chief executives of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Part XV of the SFO or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO. Nor any of the directors and the chief executives had any interest in, or had been granted any right to subscribe for the securities of the Company and its associated corporations (within the meaning of Part XV of the SFO) or had exercised any such right during the period under review.

## Other Information

### SHARE OPTIONS

Details of the movement in the share options of the Company pursuant to the Company's expired share option scheme (adopted on 28 June 2002 and expired on 27 June 2012) during the review period are as follows:

Category of eligible participants	Date of grant	Exercise period	Exercise price per share HK\$	Number of shares under options				
				Balance at 1.1.2014	Granted during the period	Exercised during the period	Cancelled/lapsed during the period	Balance at 30.6.2014
Continuous contract employees	27.5.2010	27.5.2010 to 26.5.2015	0.44	152,800,000	-	-	-	152,800,000

Note:

The vesting periods of the options granted are as follows:

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

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

The Company's existing share option scheme was adopted on 28 June 2012 (the "Scheme"). From the date of the Scheme being adopted up to the period ended 30 June 2014, no share option has been granted under the Scheme.

## Other Information

### INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 30 June 2014, the register maintained by the Company under Section 336 of the SFO showed that the following persons (other than the directors of the Company) had interests and short positions in the shares and underlying shares of the Company:

Name	Note	Capacity	Number of shares	Number of underlying shares (unlisted and physically settled equity derivative)	Percentage of issued share capital
<b>10% or more of issued share capital</b>					
Prime Surplus	1	Beneficial owner	498,053,620	–	26.37%
Ho Mei Po, Mabel	2	Interest of spouse	498,053,620	–	26.37%
Chinaculture.com Limited	3	Beneficial owner	307,013,655	–	16.26%
Chuang's China Investments Limited	3	Interest of controlled corporation	307,013,655	–	16.26%
Profit Stability Investments Limited	3	Interest of controlled corporations	307,013,655	–	16.26%
Chuang's Consortium International Limited	3	Interest of controlled corporations	307,013,655	–	16.26%
Evergain Holdings Limited	3	Interest of controlled corporations	307,013,655	–	16.26%
Chong Shaw Swee, Alan	3	Interest of controlled corporations	307,013,655	–	16.26%
Chong Ho Pik Yu	3	Interest of spouse	307,013,655	–	16.26%
<b>Below 10% of issued share capital</b>					
Broadsino Investment Company Limited	4	Beneficial owner	98,000,000	–	5.19%
Rapid Growth Ltd.	5	Trustee	–	98,000,000	5.19%
Polygold Holdings Limited	5	Interest of controlled corporation	–	98,000,000	5.19%
Xie Jian Ming	5	Interest of controlled corporations	–	98,000,000	5.19%

## Other Information

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

Notes:

- (1) The 498,053,620 shares were beneficially owned by Prime Surplus. This interest is duplicated in the interests of Mr. Tsui Ho Chuen, Philip as disclosed under the heading "Directors' interests and short positions in shares, underlying shares and debentures" above.
- (2) Ms. Ho Mei Po, Mabel is the wife of Mr. Tsui Ho Chuen, Philip and was taken to be interested in 498,053,620 shares in which her spouse was interested under the SFO.
- (3) The references to the 307,013,655 shares relate to the same block of 307,013,655 shares beneficially interested by Chinaculture.com Limited ("Chinaculture").

Chinaculture was a wholly-owned subsidiary of Chuang's China Investments Limited ("Chuang's China"), which in turn was a 56.90% owned subsidiary of Profit Stability Investments Limited ("Profit Stability"). Chuang's Consortium International Limited ("Chuang's Consortium") held 100% equity interest in Profit Stability. Evergain Holdings Limited ("Evergain") was interested in 41.65% of the issued share capital of Chuang's Consortium. Mr. Chong Shaw Swee, Alan ("Mr. Alan Chong") was interested in 100% of the issued share capital of Evergain. Ms. Chong Ho Pik Yu ("Mrs. Chong") is the wife of Mr. Alan Chong.

Chuang's China, Profit Stability, Chuang's Consortium, Evergain, Mr. Alan Chong and Mrs. Chong were all deemed under the SFO to be interested in these 307,013,655 shares which were owned by Chinaculture.

- (4) These shares were beneficially owned by Broadsino Investment Company Limited ("Broadsino"). Pursuant to an option granted by Rapid Growth Ltd. ("RGL"), Broadsino has a right to sell all or part of these shares to RGL exercisable at any time during the term of the option.
- (5) The references to the interests in 98,000,000 underlying shares relate to the same block of 98,000,000 underlying shares interested by RGL by virtue of an option granted by RGL to Broadsino as disclosed in note (4) above.

RGL was a wholly-owned subsidiary of Polygold Holdings Limited ("Polygold"), which in turn was wholly owned by Mr. Xie Jian Ming ("Mr. Xie").

Polygold and Mr. Xie were all deemed under the SFO to be interested in these 98,000,000 underlying shares which were taken to be interested by RGL.

Save as disclosed above, the Company has not been notified by any person (other than the directors of the Company) who had interests or short positions in the shares or underlying shares of the Company as at 30 June 2014 which were required to be disclosed to the Company under Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

# Other Information

## CORPORATE GOVERNANCE

Throughout the six months ended 30 June 2014, the Company has complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), except the following:

- (1) The non-executive directors of the Company and the independent non-executive directors of the Company are not appointed for a specific term. According to the Company's bye-laws, they are subject to the requirement to retire by rotation at least once every three years. The Board considers that the requirement has the same effect of accomplishing the same objective as a specific term of appointment.
- (2) The Company does not have a nomination committee as the role and the function of such committee are performed by the full Board. The Board collectively reviews the structure, size and composition (including the skills, knowledge and experience) of the Board and the appointment of any new director. Also, the Board as a whole is responsible for approving the succession plan for the directors, including the chairman and the managing director.

## CHANGES IN INFORMATION OF DIRECTORS

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

- (1) Bonus of one-month salary was approved to be paid to Mr. Lam Ting Ball, Paul, Mr. Tsui Ho Chuen, Philip and Mr. Chong Chi Kwan respectively in September 2014.
- (2) The consultancy fee payable to Mr. Chan Wa Shek for providing consultancy services to the Company in respect of projects development and related matters in Hong Kong and Mainland China will be changed from HK\$35,000 to HK\$37,000 per month with effect from 1 September 2014.
- (3) Mr. Danny T Wong ceased to be a fellow member of The Hong Kong Institute of Directors.

## CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in the Model Code as contained in Appendix 10 to the Listing Rules. After specific enquiry by the Company, all directors confirmed that they have complied with the required standard set out in the Model Code and the Company's own code during the six months ended 30 June 2014.

On behalf of the Board

**Lam Ting Ball, Paul**

*Chairman*

Hong Kong, 28 August 2014