



CNT GROUP LIMITED

北海集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code : 701)

Interim Report **2015**





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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

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 2015 together with comparative amounts for the corresponding period in 2014. 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 2015

		Six months ended 30 June	
		2015	2014
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
	Notes		
REVENUE	3	504,016	628,328
Cost of sales		(357,539)	(458,572)
		146,477	169,756
Gross profit			
Other income and gains, net	3	10,955	7,587
Selling and distribution expenses		(72,949)	(65,784)
Administrative expenses		(62,275)	(57,881)
Other expenses, net		(105)	(1,834)
		22,103	51,844
Equity-settled share option expense	14	–	(916)
Fair value gains on investment properties, net	10	9,967	20,907
Finance costs	4	(1,903)	(1,943)
Share of profits and losses of associates		468	1,005
		30,635	70,897
PROFIT BEFORE TAX	5	30,635	70,897
Income tax expenses	6	(9,754)	(14,812)
		20,881	56,085
PROFIT FOR THE PERIOD		20,881	56,085
ATTRIBUTABLE TO:			
Owners of the parent		21,181	55,245
Non-controlling interests		(300)	840
		20,881	56,085
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	7		
Basic and diluted		HK1.12 cents	HK2.93 cents

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2015

	Six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
PROFIT FOR THE PERIOD	<u>20,881</u>	<u>56,085</u>
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	<u>661</u>	<u>(17,757)</u>
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods:		
Share of other comprehensive loss of an associate	<u>(33)</u>	<u>(38)</u>
Gains on property revaluation	<u>7,569</u>	<u>74,115</u>
Total other comprehensive income not to be reclassified to profit or loss in subsequent periods	<u>7,536</u>	<u>74,077</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD	<u>8,197</u>	<u>56,320</u>
4 TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u><u>29,078</u></u>	<u><u>112,405</u></u>
ATTRIBUTABLE TO:		
Owners of the parent	<u>29,376</u>	<u>111,679</u>
Non-controlling interests	<u>(298)</u>	<u>726</u>
	<u><u>29,078</u></u>	<u><u>112,405</u></u>

Condensed Consolidated Statement of Financial Position

As at 30 June 2015

	Notes	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	297,285	300,799
Investment properties	10	422,105	401,980
Properties under development		28,000	28,000
Prepaid land lease payments		21,416	21,682
Interests in associates		16,882	17,916
Available-for-sale investments		96,083	96,083
Deposits for purchases of properties, and plant and equipment		28,332	27,866
Net pension scheme assets		2,853	2,853
Deferred tax assets		9,360	9,326
Total non-current assets		922,316	906,505
CURRENT ASSETS			
Inventories		90,129	74,413
Trade and bills receivables	11	341,096	442,772
Prepayments, deposits and other receivables		56,329	44,640
Structured deposits		167,593	203,037
Pledged deposits		2,281	1,742
Restricted cash		75,006	74,958
Cash and cash equivalents		228,809	223,506
Total current assets		961,243	1,065,068
CURRENT LIABILITIES			
Trade and bills payables	12	138,342	201,916
Other payables and accruals		137,640	167,440
Derivative financial instrument		16	16
Due to an associate		2,550	2,550
Interest-bearing bank and other borrowings		167,833	172,535
Tax payable		17,598	17,222
Total current liabilities		463,979	561,679
NET CURRENT ASSETS		497,264	503,389
TOTAL ASSETS LESS CURRENT LIABILITIES		1,419,580	1,409,894

Condensed Consolidated Statement of Financial Position

As at 30 June 2015

	Notes	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		19,087	22,012
Deferred tax liabilities		40,594	40,782
Deferred income		3,107	3,265
Total non-current liabilities		62,788	66,059
Net assets		1,356,792	1,343,835
EQUITY			
Equity attributable to owners of the parent			
Issued capital	13	190,369	188,841
Reserves		1,162,125	1,150,398
Non-controlling interests		1,352,494	1,339,239
		4,298	4,596
Total equity		1,356,792	1,343,835

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2015

	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 2015	188,841	81,145	23,672	307,806	152,206	13,557	10,144	49,591	30,605	481,672	1,339,239	4,596	1,343,835
Profit for the period	-	-	-	-	-	-	-	-	-	21,181	21,181	(300)	20,881
Other comprehensive income/ (loss) for the period:													
Share of other comprehensive loss of an associate	-	-	-	-	-	-	-	(15)	(18)	-	(33)	-	(33)
Gain on property revaluation	-	-	-	-	7,569	-	-	-	-	-	7,569	-	7,569
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	659	-	-	659	2	661
Total comprehensive income/ (loss) for the period	-	-	-	-	7,569	-	-	644	(18)	21,181	29,376	(298)	29,078
Final 2014 dividend declared and paid	-	-	-	(22,844)	-	-	-	-	-	-	(22,844)	-	(22,844)
Exercise of share options	1,528	7,825	(2,630)	-	-	-	-	-	-	-	6,723	-	6,723
Transfer of share option reserve upon the lapse of share options	-	-	(21,042)	-	-	-	-	-	-	21,042	-	-	-
At 30 June 2015	<u>190,369</u>	<u>88,970[†]</u>	<u>-[‡]</u>	<u>284,962[‡]</u>	<u>159,775[‡]</u>	<u>13,557[‡]</u>	<u>10,144[‡]</u>	<u>50,235[‡]</u>	<u>30,587[‡]</u>	<u>523,895[‡]</u>	<u>1,352,494</u>	<u>4,298</u>	<u>1,356,792</u>

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Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2015

	Attributable to owners of the parent												Total equity (Unaudited) HK\$'000
	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	
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
At 30 June 2014	<u>188,841</u>	<u>81,145*</u>	<u>26,301*</u>	<u>307,806*</u>	<u>152,206*</u>	<u>13,557*</u>	<u>10,144*</u>	<u>49,763*</u>	<u>30,587*</u>	<u>385,376*</u>	<u>1,245,726</u>	<u>4,593</u>	<u>1,250,319</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 prior to 1 January 2000. This revaluation reserve arose when the properties were classified as land and buildings, and therefore is not available to offset subsequent revaluation deficits arising on the investment properties. The revaluation reserve is transferred to retained profits only upon the disposal or retirement of the relevant assets and such transfer is not made in the 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\$1,162,125,000 (30 June 2014: HK\$1,056,885,000) in the condensed consolidated statement of financial position.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2015

	Six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating profit before working capital changes	29,982	62,631
Decrease/(increase) in inventories	(17,118)	4,445
Decrease/(increase) in trade and bills receivables	100,715	(42,039)
Decrease/(increase) in prepayments, deposits and other receivables	(11,665)	7,310
Decrease in trade and bills payables	(63,701)	(3,964)
Decrease in other payables and accruals	(29,869)	(16,312)
Exchange realignment	381	1,289
	<hr/>	<hr/>
Cash generated from operations	8,725	13,360
Interest paid	(1,908)	(1,927)
Interest element of finance lease rental payments	(4)	(7)
Overseas taxes paid	(9,605)	(11,550)
	<hr/>	<hr/>
Net cash flows used in operating activities	(2,792)	(124)
	<hr/>	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(8,393)	(4,188)
Proceeds from disposal of items of property, plant and equipment	120	197
Proceeds from sale of an equity investment at fair value through profit or loss	–	323
Additions to investment properties	(21)	–
Investment in structured deposits	(215,546)	(378,716)
Proceeds from structured deposits	253,617	353,860
Interest received	1,863	1,863
Dividend received from an associate	1,469	–
Deposits paid for purchases of property, plant and equipment	(840)	(452)
Decrease in time deposits with original maturity of more than three months when acquired	27,735	1,248
	<hr/>	<hr/>
Net cash flows from/(used in) investing activities	60,004	(25,865)
	<hr/>	<hr/>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from share options exercised	6,723	–
New bank loans	147,629	170,314
Repayment of bank loans	(155,155)	(165,171)
Dividend paid	(22,844)	(22,661)
Capital element of finance lease rental payments	(117)	(115)
	<hr/>	<hr/>
Net cash flows used in financing activities	(23,764)	(17,633)
	<hr/>	<hr/>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at beginning of period	184,964	276,662
Effect of foreign exchange rate changes, net	177	(6,758)
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	218,589	226,282

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2015

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	130,304	184,136
Non-pledged/non-restricted time deposits	98,505	42,146
	<hr/>	<hr/>
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	228,809	226,282
Pledged time deposits with original maturity of less than three months when acquired	2,281	–
Non-restricted time deposits with original maturity of more than three months when acquired	(12,501)	–
	<hr/>	<hr/>
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	218,589	226,282
	<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 (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). 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 2014, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“HKFRSs”, which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) and new interpretation issued by the HKICPA which are effective for the Group’s annual period beginning on 1 January 2015.

Amendments to HKAS 19 <i>Annual Improvements 2010-2012 Cycle</i> <i>Annual Improvements 2011-2013 Cycle</i>	<i>Defined Benefit Plans: Employee Contributions</i> Amendments to a number of HKFRSs Amendments to a number of HKFRSs
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The adoption of these revised standards and new interpretation has had no significant financial effect on these unaudited condensed consolidated interim financial statements.

In addition, the Company has adopted the amendments to the Listing Rules issued by the Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial period. The main impact to the financial statements is on the presentation and disclosure of certain information in the 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> ²
HKFRS 14	<i>Regulatory Deferral Accounts</i> ³
HKFRS 15	<i>Revenue from Contracts with Customers</i> ²
Amendments to HKFRS 10, and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ¹
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	<i>Investment Entities – Applying the Consolidation Exception</i> ¹
Amendments to HKFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i> ¹
Amendments to HKAS 1	<i>Disclosure Initiative</i> ¹
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> ¹
Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants</i> ¹
Amendments to HKAS 27 (2011) <i>Annual Improvements 2012-2014 Cycle</i>	<i>Equity Method in Separate Financial Statements</i> ¹ Amendments to a number of HKFRSs ¹

¹ Effective for annual periods beginning on or after 1 January 2016

² Effective for annual periods beginning on or after 1 January 2018

³ Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

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 2014.

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, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, net fair value gains on structured deposits, finance costs, as well as head office and corporate expenses are excluded from such measurement.

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

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 information for the Group's reportable operating segments for the six months ended 30 June 2015 and 2014.

	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
Six months ended 30 June 2015					
Segment revenue:					
Sales to external customers	379,305	10,187	114,524	–	504,016
Intersegment sales	–	8,481	–	3,740	12,221
Other revenue and gains	4,727	9,987	312	78	15,104
	384,032	28,655	114,836	3,818	531,341
<i>Reconciliation:</i>					
Elimination of intersegment sales					(12,221)
Total					519,120
Segment results					
	5,181	23,921	2,395	919	32,416
<i>Reconciliation:</i>					
Elimination of intersegment results					(261)
Interest income					3,041
Fair value gains on structured deposits					2,777
Finance costs					(1,903)
Corporate and other unallocated expenses					(5,435)
Profit before tax					30,635

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
Six months ended 30 June 2014					
Segment revenue:					
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
	<u>476,884</u>	<u>38,239</u>	<u>147,759</u>	<u>4,987</u>	<u>667,869</u>
<i>Reconciliation:</i>					
Elimination of intersegment sales					<u>(14,807)</u>
Total					<u><u>653,062</u></u>
Segment results					
	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					<u>(5,623)</u>
Profit before tax					<u><u>70,897</u></u>

Notes to the Condensed Consolidated Financial Statements

2. OPERATING SEGMENT INFORMATION (continued)

The following tables present segment assets as at 30 June 2015 and 31 December 2014, and segment capital expenditure for the six months ended 30 June 2015 and 2014 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
At 30 June 2015					
Segment assets	676,941	578,721	47,810	96,362	1,399,834
<i>Reconciliation:</i>					
Elimination of intersegment receivables					(2,827)
Corporate and other unallocated assets					486,552
Total assets					<u>1,883,559</u>
	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
At 31 December 2014					
Segment assets	729,483	563,751	68,814	96,592	1,458,640
<i>Reconciliation:</i>					
Elimination of intersegment receivables					(2,802)
Corporate and other unallocated assets					515,735
Total assets					<u>1,971,573</u>

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
Six months ended 30 June 2015					
Segment capital expenditure:					
Capital expenditure	8,875	25	–	–	8,900
Corporate and other unallocated					354
					9,254*
Six months ended 30 June 2014					
Segment capital expenditure:					
Capital expenditure	4,621	18	–	–	4,639
Corporate and other unallocated					1
					4,640**

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

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

During the six months ended 30 June 2015, no revenue from any single customer accounted for 10% or more of the Group's revenue. 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 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	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Revenue		
Sale of paint products and related services	379,305	473,512
Sale of iron and steel products	114,524	147,428
Sale of wine	–	36
Gross rental income from investment properties	10,187	7,236
Advertising services income	–	116
	504,016	628,328
Other income and gains, net		
Bank interest income	3,041	1,863
Commission income	78	99
Government grants received from Mainland China authorities*	3,087	2,378
Fair value gains, net		
Equity investment at fair value through profit or loss		
– held for trading	–	11
Structured deposits	2,777	1,897
Gain on disposal of items of property, plant and equipment, net	8	19
Recognition of deferred income	160	162
Others	1,804	1,158
	10,955	7,587

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

Notes to the Condensed Consolidated Financial Statements

4. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Interest on:		
Bank loans wholly repayable within five years	1,899	2,069
Bank loans not wholly repayable within five years	–	80
Finance leases	4	7
	<hr/>	<hr/>
Total interest expense on financial liabilities	1,903	2,156
Less: Interest capitalised*	–	(213)
	<hr/>	<hr/>
	1,903	1,943

* During the six months ended 30 June 2014, the Group has capitalised borrowings costs amounting to HK\$213,000 on qualifying assets. Borrowing costs were capitalised at the weighted average rate of the corresponding borrowings of 7.4%.

5. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Cost of inventories sold	357,539	458,572
Depreciation	9,730	9,093
Amortisation of prepaid land lease payments	278	282
Provision for impairment of trade receivables	1,194	1,543
Write-down of inventories to net realisable value, net	1,446	2,293
Gain on disposal of items of property, plant and equipment, net*	(8)	(19)
Fair value gains:		
Equity investment at fair value through profit or loss		
– held for trading*	–	(11)
Foreign exchange differences, net*	65	1,774
	<hr/>	<hr/>
	65	1,774

* 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 2014: 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\$158,000 (six months ended 30 June 2014: HK\$133,000) 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 2015 attributable to ordinary equity holders of the parent of HK\$21,181,000 (six months ended 30 June 2014: HK\$55,245,000) and the weighted average number of ordinary shares of 1,891,782,486 (six months ended 30 June 2014: 1,888,405,690) in issue during the period.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2015. No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 June 2014 in respect of a potential dilution as the exercise prices of the outstanding share options granted by the Company were higher than the average market price of the ordinary shares of the Company during this period, and accordingly, the share options had no dilutive effect on the basic earnings per share amounts presented.

8. DIVIDEND

At the annual general meeting held on 2 June 2015, the Company's shareholders approved the distribution of the final dividend for the year ended 31 December 2014 of HK1.2 cents (year ended 31 December 2013: HK1.2 cents) per share which amounted to approximately HK\$22,844,000 (year ended 31 December 2013: HK\$22,661,000).

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2015, the Group acquired items of properties, plant and equipment at costs of HK\$8,393,000 (six months ended 30 June 2014: HK\$4,188,000).

During the period ended 30 June 2015, a owner-occupied property of HK\$2,531,000 was transferred to investment property at the then fair value of HK\$10,100,000 following the end of owner-occupation, with a gain on property valuation of HK\$7,569,000 recognised in other comprehensive income.

During the period ended 30 June 2014, 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\$112,000 (six months ended 30 June 2014: HK\$178,000) were disposed of by the Group during the six months ended 30 June 2015, resulting in a net gain on disposal of HK\$8,000 (six months ended 30 June 2014: HK\$19,000).

Notes to the Condensed Consolidated Financial Statements

10. INVESTMENT PROPERTIES

	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Carrying amount at beginning of period/year	401,980	293,794
Additions	21	–
Fair value gains, net	9,967	27,130
Transfer from owner-occupied properties	10,100	97,640
Transfer to owner-occupied property	–	(15,200)
Exchange realignment	37	(1,384)
	<hr/> 422,105 <hr/>	<hr/> 401,980 <hr/>
Carrying amount at end of period/year	422,105	401,980

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 2015 based on valuations performed by BMI Appraisals Limited, an independent professionally qualified valuer. The Group's finance director selects an external valuer to be responsible for the external valuation of the Group's properties based on market knowledge, reputation and independence of the external valuer, and whether professional standards are maintained by the external valuer. Fair values of the Group's investment properties are generally derived by using the income capitalisation method. 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.

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

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.

Investment properties held by the Group	Fair value hierarchy	Valuation techniques	Significant unobservable inputs	Range	
				30 June 2015	31 December 2014
Commercial properties in Hong Kong	Level 3	Income capitalisation	Prevailing market rents (per sq.ft. and per month)	HK\$27 to HK\$122	HK\$26 to HK\$122
			Capitalisation rates	2.8% to 3.1%	2.8% to 3.1%
Commercial properties in Mainland China	Level 3	Income capitalisation	Prevailing market rents (per sq.m. and per month)	RMB140 to RMB160	RMB120 to RMB170
			Capitalisation rates	4.3% to 5.0%	4.2% to 4.5%
Industrial properties in Hong Kong	Level 3	Income capitalisation	Prevailing market rents (per sq.ft. and per month)	HK\$7 to HK\$25	HK\$7 to HK\$24
			Capitalisation rates	3.5% to 8.5%	3.5% to 8.6%
Industrial property in Mainland China	Level 3	Income capitalisation	Prevailing market rents (per sq.m and per month)	RMB12	RMB12
			Capitalisation rates	8%	8%

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During the six months ended 30 June 2015, 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 2014: 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.

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 Mainland China HK\$'000	Industrial properties in Hong Kong HK\$'000	Industrial property in Mainland China HK\$'000
Carrying amount at 1 January	146,000	35,168	198,050	22,762
Additions	21	–	–	–
Fair value gains, net	3,979	663	5,000	325
Transfer from owner-occupied property	10,100	–	–	–
Exchange realignment	–	22	–	15
Carrying amount at 30 June	160,100	35,853	203,050	23,102

Notes to the Condensed Consolidated Financial Statements

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

An 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 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Within three months	219,113	373,830
Over three months and within six months	35,525	55,057
Over six months	86,458	13,885
	341,096	442,772

12. TRADE AND BILLS PAYABLES

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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:

	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Within three months	138,338	201,908
Over three months and within six months	-	-
Over six months	4	8
	138,342	201,916

The trade payables are unsecured, non-interest-bearing and are normally settled within two months. As at 30 June 2015, bills payable with an aggregate carrying amount of HK\$7,602,000 (31 December 2014: HK\$5,806,000) were secured by time deposits of HK\$2,281,000 (31 December 2014: HK\$1,742,000).

Notes to the Condensed Consolidated Financial Statements

13. SHARE CAPITAL

Shares

	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Authorised: 2,880,000,000 ordinary shares of HK\$0.10 each	288,000	288,000
Issued and fully paid: 1,903,685,690 (31 December 2014: 1,888,405,690) ordinary shares of HK\$0.10 each	190,369	188,841

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

	Note	Number of shares in issue	Issued share capital HK\$'000	Share premium account HK\$'000	Total HK\$'000
At 1 January 2014, at 31 December 2014 and at 1 January 2015		1,888,405,690	188,841	81,145	269,986
Exercise of share options	(a)	15,280,000	1,528	7,825	9,353
At 30 June 2015		<u>1,903,685,690</u>	<u>190,369</u>	<u>88,970</u>	<u>279,339</u>

Note:

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

Share options

Details of the Company's share option schemes and share options issued under the schemes are included in note 14 to the unaudited condensed consolidated interim financial statements.

Notes to the Condensed Consolidated Financial Statements

14. SHARE OPTION SCHEMES

The 2002 Scheme

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

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

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.

For the share options granted on 27 May 2010, 15,280,000 share options lapsed automatically when a grantee ceased to be an employee of the Group during the year ended 31 December 2014. During the six months ended 30 June 2015, 15,280,000 share options were exercised and 122,240,000 share options lapsed upon the expiry of exercise period of five years from the grant date.

As at 30 June 2015, there was no (31 December 2014: 137,520,000) outstanding share options under the 2002 Scheme.

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The 2012 Scheme

The 2012 share option scheme (the "2012 Scheme") was adopted by the Company on 28 June 2012, pursuant to a resolution passed at the annual general meeting held on the same date. Unless terminated by 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 were 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 2015 and 2014, no share options were granted under the 2012 Scheme.

15. CAPITAL COMMITMENTS

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

	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Contracted, but not provided for:		
Purchases of land use rights	1,952	1,951
Construction and purchases of items of property, plant and equipment	16,050	7,523
	18,002	9,474

Notes to the Condensed Consolidated Financial Statements

16. 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 2015 of HK\$2,550,000 (31 December 2014: 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

	Six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Short term employee benefits	4,411	4,637
Post-employment benefits	193	191
Total compensation paid/payable to key management personnel	<u>4,604</u>	<u>4,828</u>

17. 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 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Financial asset				
Structured deposits	<u>167,593</u>	<u>203,037</u>	<u>167,593</u>	<u>203,037</u>
Financial liabilities				
Derivative financial instrument	16	16	16	16
Interest-bearing bank and other borrowings	<u>186,920</u>	<u>194,547</u>	<u>186,786</u>	<u>194,389</u>
	<u>186,936</u>	<u>194,563</u>	<u>186,802</u>	<u>194,405</u>

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, restricted cash, trade and bills receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, and 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.

Notes to the Condensed Consolidated Financial Statements

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

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

The fair values of the non-current portion of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank and other borrowings as at 30 June 2015 was assessed to be insignificant.

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

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

Below is a summary of significant unobservable inputs to the valuation of structured deposits together with a quantitative sensitivity analysis as at 30 June 2015 and 31 December 2014:

Financial instrument	Valuation technique	Significant unobservable input	Range		Sensitivity of fair value of the input
			30 June 2015	31 December 2014	
Structured deposits	Discounted cash flow method	Expected rate of return	3.9% to 4.5%	3.6% to 4.8%	5% increase (decrease) in expected rate of return would result in increase (decrease) in fair value by HK\$150,000 (HK\$143,000) (31 December 2014: HK\$182,000 (HK\$173,000))
		Discount rate	3.9% to 4.5%	3.7% to 4.8%	5% increase (decrease) in discount rate would result in decrease (increase) in fair value by HK\$79,000 (HK\$75,000) (31 December 2014: HK\$38,000 (HK\$36,000))

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

Notes to the Condensed Consolidated Financial Statements

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

Fair value hierarchy (continued)

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

	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>Asset measured at fair value:</i>				
At 30 June 2015				
Structured deposits	–	–	167,593	167,593
At 31 December 2014				
Structured deposits	–	–	203,037	203,037
<i>Liability measured at fair value:</i>				
At 30 June 2015				
Derivative financial instrument	–	16	–	16
At 31 December 2014				
Derivative financial instrument	–	16	–	16

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

	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Structured deposits		
Carrying amount at beginning of period/year	203,037	167,377
Purchases	215,546	656,764
Disposals	(253,617)	(622,931)
Net gains recognised in the statement of profit or loss	2,777	5,683
Exchange realignment	(150)	(3,856)
Carrying amount at end of period/year	167,593	203,037

During the six months ended 30 June 2015, 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 2014: Nil).

Notes to the Condensed Consolidated Financial Statements

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

Fair value hierarchy (continued)

	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>Liability for which fair value is disclosed:</i>				
At 30 June 2015				
Interest-bearing bank and other borrowings	–	–	186,786	186,786
At 31 December 2014				
Interest-bearing bank and other borrowings	–	–	194,389	194,389

18. APPROVAL OF THE INTERIM FINANCIAL REPORT

These unaudited condensed consolidated interim financial statements were approved and authorised for issue by the Board on 26 August 2015.

Management Discussion and Analysis

BUSINESS REVIEW

In the first half of 2015, facing with complicated external and domestic economic conditions, Mainland China has adhered to the general tone of “moving forward while maintaining stability”. According to the preliminary accounting results of the gross domestic product (“GDP”) for the first half of 2015 published by the National Bureau of Statistics of China, Mainland China’s GDP grew by 7.0% for the first half of 2015, indicating a steady growth rate compared with 7.4% for the same period of 2014. The Group actively responded to the market changes and adopted appropriate sales strategies and marketing activities to promote our paint products. The core paint operation and the expanding properties investment continuously supported the Group’s revenue and profit.

The Group recorded a profit attributable to the shareholders of the parent company of approximately HK\$21.18 million for the six months ended 30 June 2015 as compared with that of approximately HK\$55.25 million for the last corresponding period. The decrease in the profit attributable to the shareholders of the parent company was mainly due to the decrease in sales of paint products and the decrease in the net fair value gains on the investment properties.

The Group recorded revenue of approximately HK\$504.02 million representing a decrease of 19.8% when compared with last corresponding period. The Group’s gross profit for the period decreased by 13.7% when compared with that of last corresponding period to approximately HK\$146.48 million.

The manufacturing and sale of paint products continued to be the core business of the Group and contributed approximately 75.3% to the Group’s total revenue for the period under review.

Paint Products

Revenue for the period amounted to approximately HK\$379.31 million representing a decrease of 19.9% when compared with last corresponding period. The decrease in sales of paint products was mainly due to the decrease in demand of paint products as a result of the slowdown of the economy in Hong Kong and Mainland China. Although the gross profit margin was slightly improved when compared with last corresponding period, the significant decrease in sales rendered a significant decrease in gross profit which resulted in a significant decrease in segment profit to approximately HK\$5.18 million, representing a decrease of approximately 85.9% when compared with last corresponding period.

By introducing the Resene paint products, famous paint products often use by professionals in Australia and New Zealand, to Hong Kong and Macau since February 2015, the paint products portfolio of the Group is diversified and additional revenue will be brought in to the Group.

Management Discussion and Analysis

Property Investment

Revenue for the period amounted to approximately HK\$10.19 million when compared with that of approximately HK\$7.24 million in last corresponding period. Segment profit amounted to approximately HK\$23.92 million when compared with that of approximately HK\$34.45 million in last corresponding period. The decrease in segment profit for the period was mainly due to the decrease in the net fair value gains on the investment properties of approximately HK\$10.94 million. The net increase in fair values of the Group's investment properties for the period was approximately HK\$9.97 million while the increase in fair values for the last corresponding period was approximately HK\$20.91 million. This reflected the general market conditions of the commercial and industrial investment property market in Hong Kong and Mainland China for the period under review.

The Group is continuously considering the feasibility to broaden the portfolio of the Group's property investment by acquiring additional properties in Hong Kong and/or the PRC with stable income and capital gain potential. In August 2015, the Group had entered into agreements with an independent property developer for the acquisition of two office premises in Shanghai, the PRC in its pre-sale period at the consideration of approximately HK\$25.22 million, which will be financed by internal resources of the Group. These properties are expected to be handed over to the Group in 2016. The Group intends to earn rental income for long term investment purposes.

A planning application under Section 12A of the Town Planning Ordinance ("TPO") to seek the Town Planning Board's ("TPB") approval to convert the usage of the industrial premises in Sai Kung, Hong Kong into hotel and commercial usage was submitted in June 2015. The Group is exploring the possible future development of these properties in order to maximize the profit to the Group.

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

Iron and Steel Trading and Related Investments

Revenue for the period amounted to approximately HK\$114.52 million when compared with that of approximately HK\$147.43 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\$2.40 million when compared with that of approximately HK\$3.33 million in last corresponding period. It was mainly due to the decrease in revenue as well as the decrease in gross profit and share of loss from an associate of approximately HK\$0.33 million. Oppositely, there was a share of profit from an associate of approximately HK\$0.33 million in last corresponding period.

Management Discussion and Analysis

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. The construction work of a martyr memorial cemetery within the memorial park was completed in early 2015. It is believed that this establishment can enhance customer awareness and improve sales in the long run. Guangzhou, Guangdong Province, the PRC is a major target market for the cemetery business. Four sales offices are established in Guangzhou and two more sales outlets are planning to be set up in Guangzhou in the near future. For the continuous development, two new graveyards are in the process of construction and will be launched into the market once completed. In addition, two more graveyards are planned to be built and the construction work will commence soon.

Proposed Spin-off

On 15 June 2015, the Company was notified by the Listing Department of the Stock Exchange (the "Listing Department") that the proposed spin-off of part of its business for a separate listing was rejected. After due consideration, the Company decided not to appeal against the decision of the Listing Department.

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\$228.81 million as at 30 June 2015 compared with approximately HK\$223.51 million as at 31 December 2014. The total cash and bank balances, including structured deposits, pledged deposits and restricted cash, amounted to approximately HK\$473.69 million as at 30 June 2015 compared with approximately HK\$503.24 million as at 31 December 2014. Bank and other borrowings amounted to approximately HK\$186.92 million as at 30 June 2015 compared with approximately HK\$194.55 million as at 31 December 2014. 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 2015, approximately HK\$167.83 million (89.8%) is payable within one year, approximately HK\$5.92 million (3.2%) is payable in the second year and the remaining balance of approximately HK\$13.17 million (7.0%) is payable in the third to fifth years.

The Group's cash, bank balances and bank and other borrowings were mainly denominated in Hong Kong Dollars and Renminbi. The Group's results can be affected by movements in the exchange rate between Hong Kong Dollars and Renminbi. The Group currently does not adopt any hedging measures. However, the Group will continue to monitor the foreign exchange exposure and will consider hedging its foreign currency exposure should the need arise.

Gearing ratio of the Group which is expressed as a percentage of total bank and other borrowings to adjusted capital (as defined below) was 15.9% as at 30 June 2015 compared with 16.6% as at 31 December 2014. Liquidity ratio of the Group which is expressed as a percentage of current assets to current liabilities was 2.07 times as at 30 June 2015 compared with 1.90 times as at 31 December 2014.

Management Discussion and Analysis

Equity and Net Asset Value

Shareholders' funds of the Group as at 30 June 2015 was approximately HK\$1,352.49 million compared with approximately HK\$1,339.24 million as at 31 December 2014. Adjusted capital of the Group, being shareholders' fund less the unrealised leasehold land and building revaluation reserve and investment property revaluation reserve, as at 30 June 2015 was approximately HK\$1,179.16 million compared with approximately HK\$1,173.48 million as at 31 December 2014. Net asset value per share as at 30 June 2015 and 31 December 2014 was approximately HK\$0.71.

Contingent Liabilities

Guarantees issued by the Company to bankers to secure general banking facilities granted to various subsidiaries outstanding as at 30 June 2015 amounted to approximately HK\$194.37 million compared with approximately HK\$200.08 million as at 31 December 2014.

Pledge of Assets

At 30 June 2015, certain land and buildings, investment properties, restricted cash and cash deposits with aggregate net book value of approximately HK\$552.22 million (31 December 2014: HK\$536.81 million) were pledged to banks as collaterals for bank and other borrowings. At 30 June 2015, total outstanding secured bank and other borrowings amounted to approximately HK\$186.92 million as compared with approximately HK\$189.22 million as at 31 December 2014.

STAFF

As at 30 June 2015, the Group's staff headcount was 1,199 (30 June 2014: 1,172). Staff costs (excluding directors' emoluments) amounted to approximately HK\$83.48 million for the period under review as compared with approximately HK\$84.25 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.

Management Discussion and Analysis

OUTLOOK

Looking forward to the second half of 2015, the recovery of the global economy is slow and tortuous, and the foundation for the stabilization of Mainland China's economy needs to be further consolidated. It is expected that the Chinese Government will carry out a solid work and handle properly the relationship between stabilizing growth, promoting reform, adjusting structure, benefiting people's livelihood and fending off risks so as to facilitate a steady and healthy economic development while maintaining medium-high rate of growth and moving forward to a medium-high level of development. Also, the Chinese Government implemented several administrative measures in the property market. Most cities abolished restrictions on property purchase. Along with the People's Bank of China's relaxation on loans and lowering of interest rates, some cities launched "stimulus" measures, including restructuring borrowings from provident funds, giving allowances for buying properties and concessions on stamp duty. These measures boosted the property market of Mainland China as well as the demand for paint products. However, referring to the financial results in the first half of 2015, the Group is of the opinion that the market situation is unstable and the Group will remain prudent in developing the businesses, step up risk prevention efforts and enhance the competitiveness continuously.

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

In the property market of Hong Kong, the Hong Kong Government continues to implement several harsh administrative measures on the stamp duty. Despite a rather silent sentiment, notable transactions remained active. Barring unforeseen circumstances, it is believed that the trend is likely to continue. 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. The Group will continue to closely monitor the commercial and industrial property market in Hong Kong and Mainland China and consider the feasibility to acquire additional properties in order to diversify and broaden the investment portfolio of the Group.

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

Other Information

INTERIM DIVIDEND

The directors of the Company have resolved not to declare an interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: 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 2015, 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	26.16%

34 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 2015, none of the directors or chief executives of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or pursuant to the Model Code 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 1.1.2015	Granted during the period	Exercised during the period	Cancelled/lapsed during the period	Balance at 30.6.2015
Continuous contract employees	27.5.2010	27.5.2010 to 26.5.2015	0.44	137,520,000	-	(15,280,000)	(122,240,000)	-

Notes:

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

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

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

(2) The weighted average closing price of the Company's shares immediately before the date on which the options were exercised during the review period was HK\$0.56.

The Company's existing share option scheme was adopted on 28 June 2012 (the "Scheme"). From the date of adoption of the Scheme up to the period ended 30 June 2015, 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 2015, 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:

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Name	Notes	Capacity	Number of shares	Number of underlying shares (unlisted and physically settled equity derivative)	Percentage of issued share capital
10% or more of issued share capital					
Prime Surplus	1	Beneficial owner	498,053,620	–	26.16%
Ho Mei Po, Mabel	2	Interest of spouse	498,053,620	–	26.16%
Chinaculture.com Limited	3	Beneficial owner	322,349,655	–	16.93%
Chuang's China Investments Limited	3	Interest of controlled corporation	322,349,655	–	16.93%
Profit Stability Investments Limited	3	Interest of controlled corporations	322,349,655	–	16.93%
Chuang's Consortium International Limited	3	Interest of controlled corporations	322,349,655	–	16.93%
Evergain Holdings Limited	3	Interest of controlled corporations	322,349,655	–	16.93%
Chong Shaw Swee, Alan	3	Interest of controlled corporations	322,349,655	–	16.93%
Chong Ho Pik Yu	3	Interest of spouse	322,349,655	–	16.93%
Below 10% of issued share capital					
Broadsino Investment Company Limited	4	Beneficial owner	98,000,000	–	5.15%
Rapid Growth Ltd.	5	Trustee	–	98,000,000	5.15%
Polygold Holdings Limited	5	Interest of controlled corporation	–	98,000,000	5.15%
Xie Jian Ming	5	Interest of controlled corporations	–	98,000,000	5.15%

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 322,349,655 shares relate to the same block of 322,349,655 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 56.47% 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 41.33% 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 322,349,655 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 2015 which were required to be disclosed to the Company under Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Other Information

CORPORATE GOVERNANCE

Throughout the six months ended 30 June 2015, the Company has complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 to 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.

CHANGE IN INFORMATION OF DIRECTORS

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

Bonus equivalent to 25%, 50% and 120% of the respective monthly salary to Mr. Lam Ting Ball, Paul, Mr. Tsui Ho Chuen, Philip and Mr. Chong Chi Kwan was approved to be paid in September 2015.

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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 2015.

On behalf of the Board
Lam Ting Ball, Paul
Chairman

Hong Kong, 26 August 2015