CNT GROUP LIMITED
北 海 集 團 有 限 公 司

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

Interim Report 2017

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Lam Ting Ball, Paul *(Chairman)*
Chong Chi Kwan *(Managing Director)*

Non-executive Directors

Tsui Ho Chuen, Philip
Chan Wa Shek
Zhang Yulin
Hung Ting Ho, Richard

Independent Non-executive Directors

Wu Hong Cho
Danny T Wong
Zhang Xiaojing

AUDIT COMMITTEE

Wu Hong Cho *(Chairman)*
Danny T Wong
Chan Wa Shek

REMUNERATION COMMITTEE

Wu Hong Cho *(Chairman)*
Lam Ting Ball, Paul
Danny T Wong

COMPANY SECRETARY

Fok Pik Yi, Carol

AUDITOR

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

SHARE REGISTRARS

Hong Kong

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

Bermuda

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

PRINCIPAL BANKERS

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

REGISTERED OFFICE

Clarendon House, 2 Church Street
Hamilton HM 11, Bermuda

PRINCIPAL OFFICE

Unit E, 28th 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 2017 together with comparative amounts for the corresponding period in 2016. 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 2017

	Notes	Six months ended 30 June **2017** **(Unaudited)** **HK$'000**	 2016 (Unaudited) HK$'000
REVENUE	3	**492,318**	468,453
Cost of sales		**(365,274)**	(301,302)
Gross profit		**127,044**	167,151
Other income and gains, net	3	**6,008**	6,297
Selling and distribution expenses		**(76,032)**	(65,916)
Administrative expenses		**(63,814)**	(64,692)
Other expenses, net		**(4,037)**	(9,905)
Fair value gains on investment properties, net	10	**13,585**	5,453
Finance costs	4	**(1,156)**	(1,414)
Share of profits and losses of associates		**(689)**	1,358
PROFIT BEFORE TAX	5	**909**	38,332
Income tax credit/(expenses)	6	**9**	(7,617)
PROFIT FOR THE PERIOD		**918**	30,715
ATTRIBUTABLE TO:			
Owners of the parent		**835**	30,770
Non-controlling interest		**83**	(55)
		918	30,715
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	7		
Basic and diluted		**HK0.04 cents**	HK1.62 cents

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
PROFIT FOR THE PERIOD	**918**	30,715
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	**24,259**	(22,337)
Share of other comprehensive income of an associate	**237**	70
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	**24,496**	(22,267)
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods:		
Remeasurement of net pension scheme assets	**–**	(459)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	**24,496**	(22,726)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**25,414**	7,989
ATTRIBUTABLE TO:		
Owners of the parent	**25,219**	8,132
Non-controlling interest	**195**	(143)
	25,414	7,989

Condensed Consolidated Statement of Financial Position

As at 30 June 2017

	Notes	30 June 2017 (Unaudited) HK$'000	31 December 2016 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	**270,872**	265,785
Investment properties	10	**662,630**	644,323
Properties under development		**28,000**	28,000
Prepaid land lease payments		**18,697**	18,389
Interests in associates		**11,399**	11,851
Available-for-sale investments		**96,083**	96,083
Deposits for purchases of properties, and plant and equipment		**9,516**	8,662
Net pension scheme assets		**2,372**	2,372
Deferred tax assets		**8,338**	7,731
Total non-current assets		**1,107,907**	1,083,196
CURRENT ASSETS			
Inventories		**97,116**	79,466
Trade and bills receivables	11	**535,061**	497,235
Prepayments, deposits and other receivables		**70,065**	56,214
Structured deposits		**19,749**	98,666
Pledged deposits		**5,215**	2,268
Cash and cash equivalents		**238,991**	266,377
Total current assets		**966,197**	1,000,226
CURRENT LIABILITIES			
Trade and bills payables	12	**216,488**	214,208
Other payables and accruals		**137,349**	154,042
Due to an associate		**2,800**	2,800
Interest-bearing bank and other borrowings		**161,959**	154,324
Tax payable		**12,519**	17,313
Total current liabilities		**531,115**	542,687
NET CURRENT ASSETS		**435,082**	457,539
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,542,989**	1,540,735

Condensed Consolidated Statement of Financial Position

As at 30 June 2017

	30 June 2017 (Unaudited) HK$'000	31 December 2016 (Audited) HK$'000
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**8,396**	11,594
Deferred tax liabilities	**44,691**	45,541
Deferred income	**2,271**	2,346
Total non-current liabilities	**55,358**	59,481
Net assets	**1,487,631**	1,481,254
EQUITY		
Equity attributable to owners of the parent		
Issued capital	**190,369**	190,369
Reserves	**1,293,449**	1,287,267
	1,483,818	1,477,636
Non-controlling interest	**3,813**	3,618
Total equity	**1,487,631**	1,481,254

Condensed Consolidated Statement of Changes in Equity
For the six months ended 30 June 2017

	Attributable to owners of the parent											
	Issued share capital (Unaudited) HK$'000	Share premium account (Unaudited) HK$'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 interest (Unaudited) HK$'000	Total equity (Unaudited) HK$'000
At 1 January 2017	190,369	88,970	265,925	249,069	13,557	10,144	(47,804)	30,822	676,584	1,477,636	3,618	1,481,254
Profit for the period	–	–	–	–	–	–	–	–	835	835	83	918
Other comprehensive income for the period:												
Share of other comprehensive income of an associate	–	–	–	–	–	–	201	36	–	237	–	237
Exchange differences on translation of foreign operations	–	–	–	–	–	–	24,147	–	–	24,147	112	24,259
Total comprehensive income for the period	–	–	–	–	–	–	24,348	36	835	25,219	195	25,414
Final 2016 dividend declared and paid	–	–	(19,037)	–	–	–	–	–	–	(19,037)	–	(19,037)
At 30 June 2017	190,369	88,970#	246,888#	249,069#	13,557#	10,144#	(23,456)#	30,858#	677,419#	1,483,818	3,813	1,487,631

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2017

	Attributable to owners of the parent											
	Issued share capital (Unaudited) HK$'000	Share premium account (Unaudited) HK$'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 interest (Unaudited) HK$'000	Total equity (Unaudited) HK$'000
At 1 January 2016	190,369	88,970	284,962	249,069	13,557	10,144	9,636	30,751	588,579	1,466,037	3,843	1,469,880
Profit for the period	–	–	–	–	–	–	–	–	30,770	30,770	(55)	30,715
Other comprehensive income/(loss) for the period:												
Remeasurement of net pension scheme assets	–	–	–	–	–	–	–	–	(459)	(459)	–	(459)
Share of other comprehensive income of an associate	–	–	–	–	–	–	34	36	–	70	–	70
Exchange differences on translation of foreign operations	–	–	–	–	–	–	(22,249)	–	–	(22,249)	(88)	(22,337)
Total comprehensive income/(loss) for the period	–	–	–	–	–	–	(22,215)	36	30,311	8,132	(143)	7,989
Final 2015 dividend declared and paid	–	–	(19,037)	–	–	–	–	–	–	(19,037)	–	(19,037)
At 30 June 2016	190,369	88,970#	265,925#	249,069#	13,557#	10,144#	(12,579)#	30,787#	618,890#	1,455,132	3,700	1,458,832

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

These reserve accounts comprise the consolidated reserves of HK$1,293,449,000 (30 June 2016: HK$1,264,763,000) in the condensed consolidated statement of financial position.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating profit before working capital changes	**(1,621)**	40,504
Decrease/(increase) in inventories	**(15,736)**	6,799
Increase in trade and bills receivables	**(24,749)**	(5,526)
Decrease/(increase) in prepayments, deposits and other receivables	**(12,564)**	3,312
Increase/(decrease) in trade and bills payables	**(4,154)**	7,058
Decrease in other payables and accruals	**(20,282)**	(3,832)
Exchange realignment	**(663)**	99
Cash generated from/(used in) operations	**(79,769)**	48,414
Interest paid	**(1,127)**	(1,470)
Interest element of finance lease rental payments	**(42)**	(1)
Overseas taxes paid	**(6,557)**	(13,646)
Net cash flows from/(used in) operating activities	**(87,495)**	33,297
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	**(8,286)**	(9,924)
Proceeds from disposal of items of property, plant and equipment	**19**	433
Additions to investment properties	**–**	(557)
Investments in structured deposits	**(165,055)**	(214,453)
Proceeds from structured deposits	**246,317**	239,566
Interest received	**644**	1,873
Deposits paid for purchases of properties, and plant and equipment	**(1,807)**	(29,145)
Decrease in pledged time deposits with original maturity of less than three months when acquired	**961**	–
Decrease/(increase) in time deposits with original maturity of more than three months when acquired	**(3,908)**	81,569
Net cash flows from investing activities	**68,885**	69,362
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans	**58,550**	89,940
Repayment of bank loans	**(54,015)**	(167,080)
Dividend paid	**(19,037)**	(19,037)
Capital element of finance lease rental payments	**(189)**	(11)
Net cash flows used in financing activities	**(14,691)**	(96,188)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**(33,301)**	6,471
Cash and cash equivalents at beginning of period	**266,377**	270,614
Effect of foreign exchange rate changes, net	**5,915**	(6,949)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**238,991**	270,136

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**218,268**	185,391
Non-pledged/non-restricted time deposits	**20,723**	11,657
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	**238,991**	197,048
Restricted bank balance	**–**	11,805
Pledged time deposits with original maturity of less than three months when acquired	**–**	2,998
Restricted time deposits with original maturity of less than three months when acquired	**–**	58,285
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	**238,991**	270,136

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 2016, 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) issued by the HKICPA which are effective for the Group's annual period beginning on 1 January 2017.

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Annual Improvements 2014-2016 Cycle	Amendments to a number of HKFRSs

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

The 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 2016.

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.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1]
HKFRS 9	*Financial Instruments*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 15	*Revenue from Contracts with Customers*[1]
Amendments to HKFRS 15	*Clarification to HKFRS 15 Revenue from Contracts with Customers*[1]
HKFRS 16	*Leases*[2]
Amendments to HKAS 40	*Transfers of Investment Property*[1]
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[2]
Annual Improvements 2014-2016 Cycle	Amendments to a number of HKFRSs[4]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 No mandatory effective date yet determined but available for adoption
4 Effective for annual periods beginning on or after 1 January 2018, with early application permitted

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.

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, the provision of advertising services, and investment holding.

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

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

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

Intersegment sales and transfers are transacted on mutually agreed terms.

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 2017					
Segment revenue:					
Sales to external customers	383,942	16,616	91,760	–	492,318
Intersegment sales	–	3,034	–	1,457	4,491
Other revenue and gains, net	3,553	13,615	475	540	18,183
	387,495	33,265	92,235	1,997	514,992
Reconciliation:					
Elimination of intersegment sales					(4,491)
Total					510,501
Segment results	(19,482)	26,796	(285)	438	7,467
Reconciliation:					
Elimination of intersegment results					(302)
Interest income					646
Fair value gains on structured deposits					764
Finance costs					(1,156)
Corporate and other unallocated expenses					(6,510)
Profit before tax					909

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 2016					
Segment revenue:					
Sales to external customers	388,437	17,202	62,814	–	468,453
Intersegment sales	–	3,096	–	1,794	4,890
Other revenue and gains, net	2,498	5,477	308	(417)	7,866
	390,935	25,775	63,122	1,377	481,209
Reconciliation:					
Elimination of intersegment sales					(4,890)
Total					476,319
Segment results	22,050	17,933	2,134	(784)	41,333
Reconciliation:					
Elimination of intersegment results					(232)
Interest income					1,873
Fair value gains on structured deposits					2,011
Finance costs					(1,414)
Corporate and other unallocated expenses					(5,239)
Profit before tax					38,332

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
At 30 June 2017					
Segment assets	**844,804**	**776,499**	**82,423**	**96,123**	**1,799,849**
Reconciliation:					
Elimination of intersegment receivables					**(1,011)**
Corporate and other unallocated assets					**275,266**
Total assets					**2,074,104**
Segment liabilities	**322,493**	**8,488**	**26,439**	**142**	**357,562**
Reconciliation:					
Elimination of intersegment payables					**(1,011)**
Corporate and other unallocated liabilities					**229,922**
Total liabilities					**586,473**

	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 2016					
Segment assets	766,562	759,392	84,499	96,041	1,706,494
Reconciliation:					
Elimination of intersegment receivables					(952)
Corporate and other unallocated assets					377,880
Total assets					2,083,422
Segment liabilities	341,779	8,211	19,836	228	370,054
Reconciliation:					
Elimination of intersegment payables					(952)
Corporate and other unallocated liabilities					233,066
Total liabilities					602,168

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 2017					
Segment capital expenditure:					
Capital expenditure	**9,038**	**1,064**	**–**	**–**	**10,102**
Corporate and other unallocated					**7**
					10,109*
Six months ended 30 June 2016					
Segment capital expenditure:					
Capital expenditure	11,049	28,547	30	–	39,626
Corporate and other unallocated					–
					39,626**

* 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 2017 and 2016, no revenue from any single customer accounted for 10% or more of the Group's revenue.

3. REVENUE, OTHER INCOME AND GAINS, NET

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

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Revenue		
Sale of paint products and related services	**383,942**	388,437
Sale of iron and steel products	**91,760**	62,814
Gross rental income from investment properties	**16,616**	17,202
	492,318	468,453
Other income and gains, net		
Bank interest income	**646**	1,873
Commission income	**57**	60
Government grants*	**1,581**	307
Fair value gains		
Structured deposits	**764**	2,011
Derivative instrument – transaction not qualifying as hedge	**–**	10
Foreign exchange differences, net	**1,486**	419
Recognition of deferred income	**145**	153
Others	**1,329**	1,464
	6,008	6,297

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

4. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Interest on bank loans	**1,114**	1,413
Interest on finance leases	**42**	1
	1,156	1,414

5. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Cost of inventories sold	**365,274**	301,302
Depreciation	**9,840**	10,250
Amortisation of prepaid land lease payments	**252**	266
Provision for impairment of trade receivables*	**–**	4,952
Write down/(write-back) of inventories to net realisable value, net	**396**	(3,987)
Loss on disposal of items of property, plant and equipment, net*	**29**	–

* These balances are included in "Other expenses, net" in the condensed consolidated statement of profit or loss.

6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2016: 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.

All subsidiaries of the Group established in Mainland China are subject to the PRC corporate income tax at a standard rate of 25% (six months ended 30 June 2016: 25%) during the period, except for a subsidiary of the Group which qualified as a PRC High and New Technology Enterprise in Mainland China and a lower PRC corporate income tax rate of 15% (six months ended 30 June 2016: 15%) had been applied during the period.

The share of tax attributable to an associate amounting to HK$158,000 (six months ended 30 June 2016: HK$160,000) is included in "Share of profits and losses of associates" in 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 2017 attributable to ordinary equity holders of the parent of HK$835,000 (six months ended 30 June 2016: HK$30,770,000) and the weighted average number of ordinary shares of 1,903,685,690 (six months ended 30 June 2016: 1,903,685,690) 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 2017 and 2016 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the periods.

8. DIVIDEND

At the annual general meeting held on 1 June 2017, the Company's shareholders approved the distribution of the final dividend for the year ended 31 December 2016 of HK1.0 cent (year ended 31 December 2015: HK1.0 cent) per share which amounted to approximately HK$19,037,000 (year ended 31 December 2015: HK$19,037,000).

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2017, the Group acquired items of properties, plant and equipment at costs of HK$8,302,000 (six months ended 30 June 2016: HK$9,924,000).

Items of properties, plant and equipment with an aggregate net book value of HK$48,000 (six months ended 30 June 2016: HK$433,000) were disposed of by the Group during the six months ended 30 June 2017.

10. INVESTMENT PROPERTIES

	30 June 2017 (Unaudited) HK$'000	31 December 2016 (Audited) HK$'000
Carrying amount at beginning of period/year	**644,323**	569,937
Additions	**–**	557
Fair value gains, net	**13,585**	20,042
Transfer from deposits for purchases of properties, and plant and equipment	**–**	61,147
Exchange realignment	**4,722**	(7,360)
Carrying amount at end of period/year	**662,630**	644,323

The Group's investment properties consist of residential, commercial and industrial properties in Hong Kong and the PRC. The directors of the Company have determined that the investment properties consist of five classes of asset, i.e. commercial and industrial in Hong Kong and residential, commercial and industrial in the PRC, based on the nature, characteristics and risks of each property. The Group's investment properties were revalued on 30 June 2017 based on valuations performed by BMI Appraisals Limited, an independent professionally qualified valuer. The Group's finance department which reports directly to the senior management selects an external valuer to be responsible for the external valuation of the Group's properties based on market knowledge, reputation and independence of the external valuer, and whether professional standards are maintained by the external valuer. Fair values of the Group's investment properties are generally derived by using the income capitalisation method or market comparison approach. The Group's finance department has discussion with the external valuer on the valuation assumptions and valuation results when the valuation is performed for interim financial reporting.

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

The market comparison approach is based on the potential selling price, assuming sale of the property interest in its existing state by making reference to comparable sales transactions as available in the relevant market.

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 or weighted average 30 June 2017	31 December 2016
Commercial properties in Hong Kong	Level 3	Income capitalisation method	Prevailing market rents (per sq.ft. and per month)	**HK$29 to HK$116**	HK$29 to HK$116
			Capitalisation rates	**2.5% to 3.0%**	2.6% to 3.2%
Commercial properties in Mainland China	Level 3	Income capitalisation method	Prevailing market rents (per sq.m. and per month)	**RMB150 to RMB170**	RMB155 to RMB174
			Capitalisation rates	**2.5% to 5.3%**	4.3% to 5.3%
		Market comparison approach	Prevailing market rates (per sq.m.)	**RMB36,000 to RMB75,000**	RMB37,000 to RMB84,000
Industrial properties in Hong Kong	Level 3	Income capitalisation method	Prevailing market rents (per sq.ft. and per month)	**HK$8 to HK$25**	HK$7 to HK$28
			Capitalisation rates	**3.5% to 8.2%**	3.5% to 8.6%
Industrial property in Mainland China	Level 3	Income capitalisation method	Prevailing market rents (per sq.m. and per month)	**RMB15**	RMB13
			Capitalisation rates	**9.0%**	8.0%
Residential properties in Mainland China	Level 3	Income capitalisation method	Prevailing market rents (per sq.m. and per month)	**N/A**	RMB39 to RMB51
			Capitalisation rates	**N/A**	1.2%
		Market comparison approach	Prevailing market rates (per sq.m.)	**RMB35,000 to RMB41,000**	N/A

During the six months ended 30 June 2017, 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 2016: 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 the market comparison approach, a significant increase (decrease) in the prevailing market rates in isolation would result in a significant increase (decrease) in the fair value of the investment properties.

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:

	Residential properties in Mainland China HK$'000	Commercial properties in Hong Kong HK$'000	Commercial properties in Mainland China HK$'000	Industrial properties in Hong Kong HK$'000	Industrial property in Mainland China HK$'000	Total HK$'000
Carrying amount at 1 January 2017	37,621	160,900	98,173	323,390	24,239	644,323
Fair value gains, net	(770)	4,700	(1,061)	9,810	906	13,585
Exchange realignment	1,143	–	2,820	–	759	4,722
Carrying amount at 30 June 2017	37,994	165,600	99,932	333,200	25,904	662,630

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 ageing 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 2017 (Unaudited) HK$'000	31 December 2016 (Audited) HK$'000
Within three months	**356,521**	424,748
Over three months and within six months	**41,538**	44,098
Over six months	**137,002**	28,389
	535,061	497,235

12. TRADE AND BILLS PAYABLES

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

	30 June 2017 (Unaudited) HK$'000	31 December 2016 (Audited) HK$'000
Within three months	**215,068**	212,648
Over three months and within six months	**1,264**	1,548
Over six months	**156**	12
	216,488	214,208

The trade payables are unsecured, non-interest-bearing and are normally settled within two months. As at 30 June 2017, bills payable with an aggregate carrying amount of HK$17,384,000 (31 December 2016: HK$7,554,000) were secured by time deposits of HK$5,215,000 (31 December 2016: HK$2,268,000).

13. SHARE OPTION SCHEME

THE 2012 SCHEME

The 2012 share option scheme (the "2012 Scheme") was adopted by the Company on 28 June 2012, pursuant to a resolution passed at the annual general meeting held on the same date. Unless terminated by resolution in general meeting or by the board of directors, the 2012 Scheme remains valid and effective for the period of 10 years commencing on 28 June 2012, after which period no further options will be issued but, in all other 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 2017 and 2016, no share option was granted under the 2012 Scheme.

14. CAPITAL COMMITMENTS

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

	30 June 2017 (Unaudited) HK$'000	31 December 2016 (Audited) HK$'000
Contracted, but not provided for:		
Purchases of land use rights	**1,798**	1,745
Construction and purchases of items of property, plant and equipment	**3,792**	9,825
	5,590	11,570

15. 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 2017 of HK$2,800,000 (31 December 2016: HK$2,800,000) 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	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Short term employee benefits	**4,282**	4,740
Post-employment benefits	**193**	193
Total compensation paid/payable to key management personnel	**4,475**	4,933

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 2017	31 December 2016	**30 June 2017**	31 December 2016
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Structured deposits	**19,749**	98,666	**19,749**	98,666
Financial liabilities				
Interest-bearing bank and other borrowings	**170,355**	165,918	**170,324**	165,888

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

The Group's finance department which reports directly to the senior management is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, the finance department 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.

16. 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 2017 was assessed to be insignificant.

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

Below is a summary of significant unobservable inputs to the valuation of structured deposits together with a quantitative sensitivity analysis as at 30 June 2017 and 31 December 2016:

Financial instrument	Valuation technique	Significant unobservable input	Range 30 June 2017	Range 31 December 2016	Sensitivity of fair value of the input
Structured deposits	Discounted cash flow method	Expected rate of return	**2.1% to 3.1%**	2.3% to 4.0%	5% increase (decrease) in the expected rate of return would result in increase (decrease) in fair value by HK$9,000 (HK$9,000) (31 December 2016: HK$193,000 (HK$184,000))
		Discount rate	**2.1% to 3.1%**	2.3% to 3.2%	5% increase (decrease) in discount rate would result in decrease (increase) in fair value by HK$5,000 (HK$4,000) (31 December 2016: HK$10,000 (HK$9,000))

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

16. 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			
	Quoted prices in active markets (Level 1) HK$'000	**Significant observable inputs (Level 2) HK$'000**	**Significant unobservable inputs (Level 3) HK$'000**	**Total HK$'000**
Asset measured at fair value:				
At 30 June 2017				
Structured deposits	**–**	**–**	**19,749**	**19,749**
At 31 December 2016				
Structured deposits	–	–	98,666	98,666

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

	30 June 2017 (Unaudited) HK$'000	31 December 2016 (Audited) HK$'000
Structured deposits		
Carrying amount at beginning of period/year	**98,666**	160,549
Purchases	**165,055**	231,709
Disposals	**(246,317)**	(289,717)
Gains recognised in the statement of profit or loss	**764**	3,291
Exchange realignment	**1,581**	(7,166)
Carrying amount at end of period/year	**19,749**	98,666

During the six months ended 30 June 2017, 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 2016: Nil).

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

Fair value hierarchy (continued)

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

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	**Significant observable inputs (Level 2) HK$'000**	**Significant unobservable inputs (Level 3) HK$'000**	**Total HK$'000**
Liabilities for which fair value are disclosed:				
At 30 June 2017				
Interest-bearing bank and other borrowings	**–**	**–**	**170,324**	**170,324**
At 31 December 2016				
Interest-bearing bank and other borrowings	–	–	165,888	165,888

17. EVENTS OCCURRING AFTER REPORTING PERIOD

On 10 July 2017, the Group announced that completion of the spin-off and the global offering of CPM Group Limited ("CPM') had taken place on 10 July 2017. Following completion of the global offering, dealings in the CPM shares on the main board of the Stock Exchange commenced at 9:00 a.m. on 10 July 2017 and the stock code of CPM is 1932.

18. COMPARATIVE AMOUNTS

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

19. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

These unaudited condensed consolidated interim financial statements were approved and authorised for issue by the Board on 30 August 2017.

Management Discussion and Analysis

BUSINESS REVIEW

In the first half of 2017, there was slight rebound in the economy of Mainland China. According to the data published by the National Bureau of Statistics of China on 18 July 2017, Mainland China's Gross Domestic Product ("GDP") expanded by 6.9% for the first half of 2017 when compared to its GDP of 6.7% for the first half of 2016. However, the changes in the international political landscape cast shadow of uncertainty over the global economic development. Market concerns about U.S. Federal Reserve's faster pace of rate hikes and China's continued slower economic growth which created uncertainty to the market.

The Group actively responded to market changes and adopted appropriate sales strategies and marketing activities to promote our businesses. The core paint operation and the expanding properties investment as well as the trading of iron and steel products continuously supported the Group's revenue and profit.

The Group recorded a profit attributable to the shareholders of the parent company of approximately HK$0.84 million for the six months ended 30 June 2017 as compared with that of approximately HK$30.77 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 gross profit of the paint business.

The Group recorded revenue of approximately HK$492.32 million representing an increase of 5.1% when compared with last corresponding period. The increase in Group's revenue was mainly due to the increase in revenue from the trading of iron and steel products. The Group's gross profit for the period decreased by 24.0% when compared with that of last corresponding period to approximately HK$127.04 million. The decrease in Group's gross profit was mainly due to the significant drop in gross profit margin of the paint business during the period under review.

The manufacturing and sale of paint products (the "Paint Business") accounted for approximately 78.0% to the Group's total revenue for the period under review. The Paint Business was spun-off and listed on the main board of the Stock Exchange on 10 July 2017.

Paint Products

Revenue for the period amounted to approximately HK$383.94 million representing a decrease of 1.2% when compared with last corresponding period. The decrease in revenue was mainly due to the net effect of the increase in revenue generated from sales of the paint products in Hong Kong by HK$5.73 million in the period under review and the decrease in sales of paint products in Mainland China by HK$10.22 million from HK$343.90 million in corresponding period to HK$333.68 million in the period under review. Although CPM reduced the average selling price of its paint products during the period under review, the increase in market share and the quantities sold of paint products during the period under review has rendered the revenue generated from Mainland China increased by RMB5.97 million from RMB289.23 million in corresponding period to RMB295.20 million in the period under review. However, the average exchange rate of RMB for the period under review depreciated against HK$ by approximately 4.9% when compared with last corresponding period, which resulted in the decrease in revenue generated in Mainland China when translated into the presentation currency of the Company in HK$.

The gross profit margin was decreased by 9.9 percentage point ("pp") from 37.9% in last corresponding period to 28.0% in the period under review. The significant decrease in gross profit margin was mainly due to the increase in raw material costs and the reduction of average selling prices of paint products. Segment loss amounted to approximately HK$19.48 million when compared with segment profit of approximately HK$22.05 million in last corresponding period.

The demand for our paint products is affected by the seasonality factor of the manufacturing industries of toys, electronics and electrical appliances and the pattern that most of the construction, repairs and renovation undertakings would be completed during the second half of a calendar year.

BUSINESS REVIEW (continued)

Property Investment

Revenue for the period amounted to approximately HK$16.62 million when compared with that of approximately HK$17.20 million in last corresponding period. Segment profit amounted to approximately HK$26.80 million when compared with that of approximately HK$17.93 million in last corresponding period. The increase in segment profit for the period was mainly due to the increase in the net fair value gains on the investment properties of approximately HK$8.14 million. The fair value of the Group's investment properties at the period end was approximately HK$13.59 million while the fair value at the last corresponding period end was approximately HK$5.45 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 May 2017, the Group had entered into agreement with an independent property developer for the acquisition of five residential premises in Zhongshan, Guangdong Province, the PRC in its pre-sale period at the consideration of approximately RMB4.38 million, which will be financed by internal resources of the Group. The properties are expected to be handed over to the Group in late 2018. The Group intends to lease out the property to earn rental income for long term investment purposes.

The review application under Section 17 of the Town Planning Ordinance ("TPO") to seek the 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 rejected in December 2014. The Group had lodged an appeal to the Town Planning Appeal Board under Section 17B of TPO in February 2015. The appeal hearing was completed in April 2017 and the Group is awaiting for the result.

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

Iron and Steel Trading and Related Investments

Revenue for the period amounted to approximately HK$91.76 million when compared with that of approximately HK$62.81 million in last corresponding period, representing an increase of 46.1%. The increase in revenue was mainly due to the increase in demand of tin mill black plate during the period under review. The gross profit margin decreased by 1.4pp from 4.5% in last corresponding period to 3.1% in current period. The decrease in gross profit margin was mainly due to the increase in sales of comparatively lower profit margin tin mill black plate during the period under review. Segment loss for the period amounted to approximately HK$0.29 million when compared with segment profit of approximately HK$2.13 million in last corresponding period. The segment loss for the period was mainly due to the share of loss from an associate of approximately HK$1.49 million as compared to the share of profit from an associate of approximately HK$0.55 million in last corresponding period. After exclusion of the share of profit or loss from the associate, the adjusted segment profit amounted to approximately HK$1.20 million and HK$1.58 million for the period under review and the last corresponding period respectively.

BUSINESS REVIEW (continued)

Available-for-sale Investments

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

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

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

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

Spin-off of Paint Business

Purpose of the Spin-Off

The principal purpose of the spin-off (the "Spin-Off") and the listing (the "Listing") of CPM is to create separate listing platform on the Stock Exchange for the Paint Business and the business activities engaged by the Group following completion of the Spin-off and the Listing (the "Remaining Group"), namely (i) the property investment business; (ii) the trading business; and (iii) the other business (collectively known as the "Remaining Businesses") so that these business activities may raise equity and debt financing independently according to their respective business needs. The market positions and the valuation of the Paint Business and the Remaining Businesses are distinctively different. Prior to the Spin-Off and the Listing, directors of the Group received from time to time feedbacks from shareholders and prospective investors that the positioning of the Group is unclear and that it would be difficult to appraise the value of the Group as a whole with such diverse business activities. Investors who have interest in the Paint Business as one of the well-recognised paint manufacturing businesses in the industrial sector may not at the same time have interest in the Remaining Businesses. Likewise, investors who prefer investing in the Remaining Businesses may not have interest in businesses in the manufacturing sector. The situation limited the efforts of the Group in broadening its investor base. By implementing the Spin-Off and the Listing, the value of each of the Paint Business and the Remaining Businesses would not rely on each other and can be fully reflected in the respective trading prices of their shares.

Benefits of the Spin-Off

The Spin-Off and the Listing are beneficial to the Company for the following reasons:

(a) the Spin-Off will create an investment opportunity which would enable investors to have a better understanding of the business of the Remaining Group rather than a conglomerate of diversified business activities. The Remaining Businesses can then be valued on a standalone basis, which can release its true intrinsic value;

(b) the Spin-Off and the Listing will allow the Company to target its shareholder base more effectively, which would in turn improve capital raising on a competitive basis and have better capital allocation to enhance growth within the Remaining Group;

BUSINESS REVIEW (continued)

Spin-off of Paint Business (continued)

Benefits of the Spin-Off (continued)

The Spin-Off and the Listing are beneficial to the Company for the following reasons: (continued)

(c) the Spin-Off and the Listing will lead to a more direct alignment of the responsibilities and accountability of the management of the Remaining Businesses with its operating and financial performance;

(d) the Spin-Off and the Listing will enable each of the Company and CPM to have its own fund raising platform to directly and independently access both the debt and equity capital markets; and

(e) the Spin-Off and the Listing will deliver greater shareholder value to the Company on its merits and increase operational and financial transparency through which investors would be able to appraise and assess the performance and potential of the Remaining Businesses.

Based on the above backgrounds and benefits, the Board had decided to spin-off the Paint Business under separately listed company, CPM and submitted applications to the Stock Exchange in November 2014 and April 2016. The spin-off exercise was completed on 10 July 2017 and CPM became a separately listed company on the Stock Exchange with stock code 1932.

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$238.99 million as at 30 June 2017 compared with approximately HK$266.38 million as at 31 December 2016. The total cash and bank balances, including structured deposits and pledged deposits, amounted to approximately HK$263.96 million as at 30 June 2017 compared with approximately HK$367.31 million as at 31 December 2016. Bank and other borrowings amounted to approximately HK$170.36 million as at 30 June 2017 compared with approximately HK$165.92 million as at 31 December 2016. 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 2017, approximately HK$161.96 million (95.1%) is payable within one year, approximately HK$5.43 million (3.2%) is payable in the second year and the remaining balance of approximately HK$2.97 million (1.7%) 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 did not have any hedging instrument to hedge the foreign currency exposure as at 30 June 2017. However, the Group will continue to monitor its foreign exchange exposure and requirements closely and arrange hedging facilities when 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 13.9% as at 30 June 2017 compared with 13.7% as at 31 December 2016. Liquidity ratio of the Group which is expressed as a percentage of current assets to current liabilities was 1.82 times as at 30 June 2017 compared with 1.84 times as at 31 December 2016.

FINANCIAL REVIEW (continued)

Equity and Net Asset Value

Shareholders' funds of the Group as at 30 June 2017 was approximately HK$1,483.82 million compared with approximately HK$1,477.64 million as at 31 December 2016. 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 2017 was approximately HK$1,221.19 million compared with approximately HK$1,215.01 million as at 31 December 2016. Net asset value per share as at 30 June 2017 and 31 December 2016 was approximately HK$0.78.

Contingent Liabilities

Guarantees issued by the Company to bankers to secure general banking facilities granted to various subsidiaries outstanding as at 30 June 2017 amounted to approximately HK$186.12 million compared with approximately HK$171.68 million as at 31 December 2016.

Pledge of Assets

At 30 June 2017, certain land and buildings, investment properties and cash deposits with aggregate net book value of approximately HK$587.80 million (31 December 2016: HK$571.58 million) were pledged to banks as collaterals for bank and other borrowings. At 30 June 2017, total outstanding secured bank and other borrowings amounted to approximately HK$161.46 million as compared with approximately HK$143.34 million as at 31 December 2016.

STAFF

As at 30 June 2017, the Group's staff headcount was 1,089 (30 June 2016: 1,060). Staff costs (excluding directors' emoluments) amounted to approximately HK$88.44 million for the period under review as compared with approximately HK$90.33 million in 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

On the global economy, the second half of 2017 is challenging due to various geopolitical uncertainties and the global sentiment on the upward pressure on interest rate by the U.S. Federal Reserve and its monetary policies in reducing its enlarged balance sheet in the near term. It is expected that the global economic growth in the second half of the year is still challenging, among which, the growth rate of China economy may slow down as a result of the restricted purchase and loan policy in real estate market. It is expected that the infrastructure and real estates investment will be affected by the tightening momentary liquidity and tightening credit against the backdrop of deleveraging and risk prevention. While facing a greater pressure of economic slowdown, it is anticipated that the domestic economy will show a stable yet slow development momentum overall.

Upon the success listing of Paint Business, the Remaining Group will focus on the property investment and trading of iron and steel business. The Group will pay close attention on the changes in policies, economic environment and property market in Hong Kong and Mainland China. The Group will grab every good investment chance in the future in order to maintain a healthy growth rate in recurring earnings and stable financial profile.

INTERIM DIVIDEND

The directors of the Company have resolved not to declare an interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: 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 2017, 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:

		Number of shares					
Name	**Capacity**	**Personal interests**	**Family interests**	**Corporate interests**	**Other interests**	**Total**	**Percentage of issued share capital**
Tsui Ho Chuen, Philip	Interest of controlled corporation	–	–	498,053,620 (Note)	–	498,053,620	26.16%

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

Save as disclosed above, as at 30 June 2017, 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 of the Company had any interest in, or had been granted any right to subscribe for the securities of the Company and its associated corporations (within the meaning of Part XV of the SFO) or had exercised any such right during the period under review.

SHARE OPTIONS

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 2017, no share option has been granted under the Scheme.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 30 June 2017, the register maintained by the Company under Section 336 of the SFO and the public information showed that the following persons (other than the directors of the Company) had interests in the shares and underlying shares of the Company:

Name	Notes	**Capacity**	**Number of shares**	**Number of underlying shares** (unlisted and physically settled equity derivative)	**Percentage of issued share capital**
10% or more of issued share capital					
Prime Surplus Limited	1	Beneficial owner	498,053,620	–	26.16%
Ho Mei Po, Mabel	2	Interest of spouse	498,053,620	–	26.16%
Chinaculture.com Limited	3	Beneficial owner	363,019,655	–	19.07%
Chuang's China Investments Limited	3	Interest of controlled corporation	363,019,655	–	19.07%
Profit Stability Investments Limited	3	Interest of controlled corporations	363,019,655	–	19.07%
Chuang's Consortium International Limited	3	Interest of controlled corporations	363,019,655	–	19.07%
Evergain Holdings Limited	3	Interest of controlled corporations	363,019,655	–	19.07%
Chong Shaw Swee, Alan	3	Interest of controlled corporations	363,019,655	–	19.07%
Chong Ho Pik Yu	3	Interest of spouse	363,019,655	–	19.07%
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 corporations	–	98,000,000	5.15%
Xie Jian Ming	5	Interest of controlled corporations	–	98,000,000	5.15%

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

Notes:

(1) The 498,053,620 shares were beneficially owned by Prime Surplus Limited. This interest is duplicated in the interests of Mr. Tsui Ho Chuen, Philip as disclosed in the section headed "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures" above.

(2) Ms. Ho Mei Po, Mabel is the wife of Mr. Tsui Ho Chuen, Philip and was taken to be interested in 498,053,620 shares in which her spouse was interested under the SFO.

(3) The references to the 363,019,655 shares relate to the same block of 363,019,655 shares beneficially interested by Chinaculture.com Limited.

Chinaculture.com Limited was a wholly-owned subsidiary of Chuang's China Investments Limited, which in turn was a 59.13% owned subsidiary of Profit Stability Investments Limited. Chuang's Consortium International Limited held 100% equity interest in Profit Stability Investments Limited. Evergain Holdings Limited was interested in 43.68% of the issued share capital of Chuang's Consortium International Limited. Mr. Chong Shaw Swee, Alan was interested in 100% of the issued share capital of Evergain Holdings Limited. Mrs. Chong Ho Pik Yu is the wife of Mr. Chong Shaw Swee, Alan.

Chuang's China Investments Limited, Profit Stability Investments Limited, Chuang's Consortium International Limited, Evergain Holdings Limited, Mr. Chong Shaw Swee, Alan and Mrs. Chong Ho Pik Yu were all deemed under the SFO to be interested in these 363,019,655 shares which were owned by Chinaculture.com Limited.

(4) These shares were beneficially owned by Broadsino Investment Company Limited. Pursuant to an option granted by Rapid Growth Ltd., Broadsino Investment Company Limited has a right to sell all or part of these shares to Rapid Growth Ltd. exercisable at any time during the term of the option.

(5) The references to the interests in 98,000,000 underlying shares relate to the same block of 98,000,000 underlying shares of the Company interested by Rapid Growth Ltd. by virtue of an option granted by Rapid Growth Ltd. to Broadsino Investment Company Limited as disclosed in note (4) above.

Rapid Growth Ltd. was a wholly-owned subsidiary of Polygold Holdings Limited, which in turn was wholly owned by Mr. Xie Jian Ming.

Polygold Holdings Limited and Mr. Xie Jian Ming were all deemed under the SFO to be interested in these 98,000,000 underlying shares of the Company which were taken to be interested by Rapid Growth Ltd..

Save as disclosed above, the Company has not been notified by any person (other than the directors of the Company) who had interests or short positions in the shares or underlying shares of the Company as at 30 June 2017 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 2017, 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 changes in the information of the directors of the Company are as follows:

(1) Mr. Tsui Ho Chuen, Philip has been re-designated as a non-executive director of the Company with effect from 10 July 2017. He is also the executive director and managing director of CPM, a non-wholly owned subsidiary of the Company and the shares of which have been listed on the Stock Exchange since 10 July 2017.

(2) Mr. Chong Chi Kwan has been re-designated as the executive director and managing director of the Company with effect from 10 July 2017. He is also the non-executive director of CPM, a non-wholly owned subsidiary of the Company and the shares of which have been listed on the Stock Exchange since 10 July 2017.

(3) Mr. Lam Ting Ball, Paul is also the non-executive director and chairman of CPM, a non-wholly owned subsidiary of the Company and the shares of which have been listed on the Stock Exchange since 10 July 2017.

(4) Each of Dr. Steven Chow and Sir David Akers-Jones has been resigned as an independent non-executive director of the Company with effect from 9 June 2017 and 19 July 2017 respectively.

(5) Mr. Wu Hong Cho has been appointed as an independent non-executive director of the Company with effect from 19 July 2017.

(6) Bonus equivalent to 1 month and 18 months of the respective salaries to Mr. Lam Ting Ball, Paul and Mr. Chong Chi Kwan was approved and paid in July 2017.

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 of the Company 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 2017.

Other Information

UPDATE ON PETITION

As of the date of this report, there is no update to the petition filed on 22 June 2017 by Chinaculture.com Limited, a substantial shareholder of the Company, against (1) Prime Surplus Limited, a substantial shareholder of the Company, and (2) the Company as disclosed in the announcements of the Company dated 22 June 2017, 25 June 2017, 30 June 2017 and 7 July 2017.

On behalf of the Board
CNT Group Limited
Lam Ting Ball, Paul
Chairman

Hong Kong, 30 August 2017