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**CNT GROUP LIMITED**

**北海集團有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 701)**

## **ANNOUNCEMENT OF 2015 INTERIM RESULTS**

### **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

		<b>Six months ended 30 June</b>	
		<b>2015</b>	<b>2014</b>
	Notes	<b>(Unaudited)</b>	<b>(Unaudited)</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
REVENUE	3	<b>504,016</b>	628,328
Cost of sales		<b>(357,539)</b>	(458,572)
Gross profit		<b>146,477</b>	169,756
Other income and gains, net	3	<b>10,955</b>	7,587
Selling and distribution expenses		<b>(72,949)</b>	(65,784)
Administrative expenses		<b>(62,275)</b>	(57,881)
Other expenses, net		<b>(105)</b>	(1,834)
Equity-settled share option expense	13	<b>22,103</b>	51,844
Fair value gains on investment properties, net	10	<b>–</b>	(916)
Finance costs	4	<b>9,967</b>	20,907
Share of profits and losses of associates		<b>(1,903)</b>	(1,943)
		<b>468</b>	1,005
PROFIT BEFORE TAX	5	<b>30,635</b>	70,897
Income tax expenses	6	<b>(9,754)</b>	(14,812)
PROFIT FOR THE PERIOD		<b>20,881</b>	56,085
ATTRIBUTABLE TO:			
Owners of the parent		<b>21,181</b>	55,245
Non-controlling interests		<b>(300)</b>	840
		<b>20,881</b>	56,085
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	7		
Basic and diluted		<b>HK1.12 cents</b>	HK2.93 cents

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
For the six months ended 30 June 2015

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

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

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

	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
NET CURRENT ASSETS	<u>497,264</u>	<u>503,389</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>1,419,580</u>	<u>1,409,894</u>
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	19,087	22,012
Deferred tax liabilities	40,594	40,782
Deferred income	<u>3,107</u>	<u>3,265</u>
Total non-current liabilities	<u>62,788</u>	<u>66,059</u>
Net assets	<u><u>1,356,792</u></u>	<u><u>1,343,835</u></u>
EQUITY		
Equity attributable to owners of the parent		
Issued capital	190,369	188,841
Reserves	<u>1,162,125</u>	<u>1,150,398</u>
	1,352,494	1,339,239
Non-controlling interests	<u>4,298</u>	<u>4,596</u>
Total equity	<u><u>1,356,792</u></u>	<u><u>1,343,835</u></u>

# 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 new and revised Hong Kong Financial Reporting Standards (“HKFRSs”, which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA which are effective for the Group’s annual period beginning on 1 January 2015.

Amendments to HKAS 19

*Annual Improvements*

*2010-2012 Cycle*

*Annual Improvements*

*2011-2013 Cycle*

*Defined Benefit Plans: Employee Contributions*

Amendments to a number of HKFRSs

Amendments to a number of HKFRSs

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

HKFRS 14

HKFRS 15

Amendments to HKFRS 10,  
and HKAS 28 (2011)

Amendments to HKFRS 10,  
HKFRS 12 and  
HKAS 28 (2011)

Amendments to HKFRS 11

Amendments to HKAS 1

Amendments to HKAS 16  
and HKAS 38

Amendments to HKAS 16  
and HKAS 41

Amendments to HKAS 27 (2011)

*Annual Improvements*  
*2012-2014 Cycle*

*Financial Instruments*<sup>2</sup>

*Regulatory Deferral Accounts*<sup>3</sup>

*Revenue from Contracts with Customers*<sup>2</sup>

*Sale or Contribution of Assets between an Investor  
and its Associate or Joint Venture*<sup>1</sup>

*Investment Entities – Applying the Consolidation  
Exception*<sup>1</sup>

*Accounting for Acquisitions of Interests in Joint  
Operations*<sup>1</sup>

*Disclosure Initiative*<sup>1</sup>

*Clarification of Acceptable Methods of Depreciation  
and Amortisation*<sup>1</sup>

*Agriculture: Bearer Plants*<sup>1</sup>

*Equity Method in Separate Financial Statements*<sup>1</sup>

Amendments to a number of HKFRSs<sup>1</sup>

- <sup>1</sup> Effective for annual periods beginning on or after 1 January 2016
- <sup>2</sup> Effective for annual periods beginning on or after 1 January 2018
- <sup>3</sup> 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.

## **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.

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
<b>Six months ended 30 June 2015</b>					
<b>Segment revenue:</b>					
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
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	384,032	28,655	114,836	3,818	531,341
 <u>Reconciliation:</u>					
Elimination of intersegment sales					(12,221)
					<hr/>
Total					519,120
					<hr/>
<b>Segment results</b>	<b>5,181</b>	<b>23,921</b>	<b>2,395</b>	<b>919</b>	<b>32,416</b>
<u>Reconciliation:</u>					
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)
					<hr/>
Profit before tax					30,635
					<hr/>



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

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
<b>At 30 June 2015</b>					
<b>Segment assets</b>	<b>676,941</b>	<b>578,721</b>	<b>47,810</b>	<b>96,362</b>	<b>1,399,834</b>
<i>Reconciliation:</i>					
Elimination of intersegment receivables					(2,827)
Corporate and other unallocated assets					<b>486,552</b>
					<hr/>
Total assets					<b>1,883,559</b>
					<hr/> <hr/>
	Paint products (Audited) HK\$'000	Property investment (Audited) HK\$'000	Iron and steel trading (Audited) HK\$'000	Others (Audited) HK\$'000	Total (Audited) HK\$'000
<b>At 31 December 2014</b>					
<b>Segment assets</b>	<b>729,483</b>	<b>563,751</b>	<b>68,814</b>	<b>96,592</b>	<b>1,458,640</b>
<i>Reconciliation:</i>					
Elimination of intersegment receivables					(2,802)
Corporate and other unallocated assets					<b>515,735</b>
					<hr/>
Total assets					<b>1,971,573</b>
					<hr/> <hr/>

	Paint products (Unaudited) HK\$'000	Property investment (Unaudited) HK\$'000	Iron and steel trading (Unaudited) HK\$'000	Others (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
<b>Six months ended 30 June 2015</b>					
<b>Segment capital expenditure:</b>					
Capital expenditure	8,875	25	–	–	8,900
Corporate and other unallocated					354
					<u>9,254*</u>
<b>Six months ended 30 June 2014</b>					
<b>Segment capital expenditure:</b>					
Capital expenditure	4,621	18	–	–	4,639
Corporate and other unallocated					1
					<u>4,640**</u>

\* 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.

### 3. Revenue, other income and gains, net

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

	<b>Six months ended 30 June</b>	
	<b>2015</b>	<b>2014</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Revenue</b>		
Sale of paint products and related services	<b>379,305</b>	473,512
Sale of iron and steel products	<b>114,524</b>	147,428
Sale of wine	–	36
Gross rental income from investment properties	<b>10,187</b>	7,236
Advertising services income	–	116
	<b>504,016</b>	628,328
<b>Other income and gains, net</b>		
Bank interest income	<b>3,041</b>	1,863
Commission income	<b>78</b>	99
Government grants received from Mainland China authorities*	<b>3,087</b>	2,378
Fair value gains, net		
Equity investment at fair value through profit or loss		
– held for trading	–	11
Structured deposits	<b>2,777</b>	1,897
Gain on disposal of items of property, plant and equipment, net	<b>8</b>	19
Recognition of deferred income	<b>160</b>	162
Others	<b>1,804</b>	1,158
	<b>10,955</b>	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.

#### 4. Finance costs

An analysis of finance costs is as follows:

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

\* 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):

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

\* 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.

**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).

## 10. Investment properties

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

The Group's investment properties were revalued on 30 June 2015 based on valuations performed by BMI Appraisals Limited, an independent professionally qualified valuer. Fair values of the Group's investment properties are generally derived by using the income capitalisation method.

## 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:

	<b>30 June 2015 (Unaudited) HK\$'000</b>	<b>31 December 2014 (Audited) HK\$'000</b>
Within three months	<b>219,113</b>	373,830
Over three months and within six months	<b>35,525</b>	55,057
Over six months	<b>86,458</b>	13,885
	<b>341,096</b>	<b>442,772</b>

## 12. Trade and bills payables

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

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

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



### **13. Share option schemes**

#### **The 2002 Scheme**

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

152,800,000 share options 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 were 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 were 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.

#### **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 are set out in the circular of the Company dated 30 April 2012.

The 2012 Scheme will expire on 27 June 2022. During the six months ended 30 June 2015 and 2014, no share options were granted under the 2012 Scheme.

## **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).

## **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.

## **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.

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.

### **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.

### **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.

## **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.

### **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.

### **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.



## **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 for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules (the “Model Code”). 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

*As at the date of this announcement, the Board comprises Mr. Lam Ting Ball, Paul, Mr. Tsui Ho Chuen, Philip and Mr. Chong Chi Kwan as executive directors; Mr. Chan Wa Shek, Mr. Zhang Yulin and Mr. Ko Sheung Chi as non-executive directors; and Sir David Akers-Jones, Mr. Danny T Wong, Dr. Steven Chow and Mr. Zhang Xiaojing as independent non-executive directors.*