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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 2013 INTERIM RESULTS

INTERIM RESULTS

The board of directors 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 2013 together with comparative amounts for the corresponding period in 2012. The condensed consolidated interim financial statements have not been audited, but have been reviewed by the Company’s audit committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2013

		Six months ended 30 June	
		2013	2012
	Notes	(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
			(Restated)
REVENUE		659,413	618,080
Cost of sales		<u>(500,406)</u>	<u>(487,438)</u>
Gross profit		159,007	130,642
Other income and gains	3	12,024	8,826
Selling and distribution expenses		(65,260)	(56,143)
Administrative expenses		(58,610)	(54,308)
Other expenses, net		<u>(9,847)</u>	<u>(122)</u>
		37,314	28,895
Equity-settled share option expense	12	(1,659)	(2,507)
Finance costs	4	(1,755)	(1,556)
Share of profits and losses of associates		<u>3,978</u>	<u>1,200</u>
PROFIT BEFORE TAX	5	37,878	26,032
Income tax expenses	6	<u>(12,901)</u>	<u>(8,759)</u>
PROFIT FOR THE PERIOD		<u>24,977</u>	<u>17,273</u>
PROFIT/(LOSS) ATTRIBUTABLE TO:			
Owners of the parent		24,992	17,259
Non-controlling interests		<u>(15)</u>	<u>14</u>
		<u>24,977</u>	<u>17,273</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	7		
Basic and diluted		<u>HK1.32 cents</u>	<u>HK0.91 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2013

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
		(Restated)
PROFIT FOR THE PERIOD	<u>24,977</u>	<u>17,273</u>
OTHER COMPREHENSIVE INCOME/(LOSS)		
Item that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	11,150	(4,692)
Item that will not be reclassified to profit or loss in subsequent periods:		
Share of other comprehensive loss of an associate	<u>(18)</u>	<u>(18)</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	<u>11,132</u>	<u>(4,710)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u><u>36,109</u></u>	<u><u>12,563</u></u>
TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO:		
Owners of the parent	36,041	12,589
Non-controlling interests	<u>68</u>	<u>(26)</u>
	<u><u>36,109</u></u>	<u><u>12,563</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

	Notes	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	9	329,439	331,824
Investment properties		200,982	166,451
Properties under development		28,000	28,000
Prepaid land lease payments		22,797	22,672
Interests in associates		14,308	11,511
Available-for-sale investments		101,083	101,083
Deposits for purchases of items of property, plant and equipment		8,616	21,635
Net pension scheme assets		1,459	1,459
Deferred tax assets		2,931	4,485
Total non-current assets		<u>709,615</u>	<u>689,120</u>
CURRENT ASSETS			
Inventories		76,990	95,828
Trade and bills receivables	10	319,033	252,448
Prepayments, deposits and other receivables		33,294	31,771
Equity investments at fair value through profit or loss		11,027	21,183
Structured deposits		152,728	75,029
Cash and cash equivalents		238,681	328,728
Total current assets		<u>831,753</u>	<u>804,987</u>
CURRENT LIABILITIES			
Trade and bills payables	11	133,796	170,258
Other payables and accruals		143,172	151,562
Derivative financial instruments		146	146
Due to associates		2,550	4,260
Interest-bearing bank and other borrowings		195,935	121,113
Tax payable		24,224	23,725
Total current liabilities		<u>499,823</u>	<u>471,064</u>
NET CURRENT ASSETS		<u>331,930</u>	<u>333,923</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,041,545</u>	<u>1,023,043</u>

	Notes	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000 (Restated)
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		30,873	33,402
Deferred tax liabilities		29,056	26,816
Deferred income		3,792	3,885
		<u>63,721</u>	<u>64,103</u>
Total non-current liabilities		63,721	64,103
Net assets		977,824	958,940
EQUITY			
Equity attributable to owners of the parent			
Issued capital		188,841	188,841
Reserves		785,211	766,395
		<u>974,052</u>	<u>955,236</u>
Non-controlling interests		3,772	3,704
		<u>977,824</u>	<u>958,940</u>
Total equity		977,824	958,940

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis for preparation and accounting policies

The Group's unaudited condensed consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The accounting policies and basis of preparation adopted in the preparation of the 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 2012, 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 2013.

HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First Time Adoption of Hong Kong Financial Reporting Standards - Government Loans</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities</i>
HKFRS 10	<i>Consolidated Financial Statements</i>
HKFRS 11	<i>Joint Arrangements</i>
HKFRS 12	<i>Disclosure of Interests in Other Entities</i>
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 - <i>Transition Guidance</i>
HKFRS 13	<i>Fair Value Measurement</i>
HKAS 1 Amendments	Amendments to HKAS 1 <i>Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income</i>
HKAS 19 (2011)	<i>Employee Benefits</i>
HKAS 27 (2011)	<i>Separate Financial Statements</i>
HKAS 28 (2011)	<i>Investments in Associates and Joint Ventures</i>
HK(IFRIC)-Int 20 <i>Annual Improvements 2009-2011 Cycle</i>	<i>Stripping Costs in the Production Phase of a Surface Mine</i> Amendments to a number of HKFRSs issued in June 2012

Other than as further explained below, the adoption of the above new and revised HKFRSs has had no significant financial effect on the unaudited condensed consolidated interim financial statements.

HKFRS 13 - Fair Value Measurement

HKFRS 13 establishes a single source of guidance under HKFRS for all fair value measurements. HKFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under HKFRS when fair value is required or permitted. The application of HKFRS 13 has not materially impacted the fair value measurements carried out by the Group.

HKFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including HKFRS 7 *Financial Instruments: Disclosures*. Some of these disclosures are specifically required to be included in the condensed consolidated interim financial statements of the Group for the financial instruments.

HKAS 1 Amendments - Amendments to HKAS 1 Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 introduce a grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time now have to be presented separately from items that will never be reclassified. The adoption of these amendments affected presentation only and had no impact on the Group's financial position or results of operation.

HKAS 19 (2011) - Employee Benefits

HKAS 19 (2011) includes a number of amendments to the accounting for defined benefit plans. Major amendments applicable to the Group include (i) the recognition of actuarial gains and losses are no longer allowed to defer and any actuarial gains and losses of the defined benefit plans are now recognised immediately to the other comprehensive income/(loss) instead of the profit or loss; and (ii) expected returns on plan assets are no longer recognised in profit or loss and instead, interest on the net defined benefit asset/(liability) is recognised in profit or loss, calculated using the discount rate used to measure the defined benefit obligation. Other amendments include new disclosures, such as, quantitative sensitivity disclosures.

HKAS 19 (2011) further introduces changes in the recognition of termination benefits, along with a clarified definition of termination benefits. Under HKAS 19 (2011), it will no longer be sufficient for an entity to be only demonstrably committed to providing termination benefits, which is the previous HKAS 19 requirement. Instead, the termination benefits should be recognised at the earlier of (a) when the offer cannot be withdrawn; and (b) when the related restructuring costs are recognised under HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

HKAS 19 (2011) requires retrospective application and the effects of the adoption of HKAS 19 (2011) in respect of the Group's net pension scheme assets and termination benefits are summarised as below.

	Six months ended 30 June		
	2013	2012	
	HK\$'000	HK\$'000	
<i>Consolidated income statement</i>			
Decrease in cost of sales (staff costs)	(705)	(8)	
Decrease in selling and distribution expenses (staff costs)	(579)	(478)	
Decrease in administrative expenses (staff costs)	(214)	(1,568)	
Increase/(decrease) in income tax expenses	<u>(2,732)</u>	<u>308</u>	
Increase in profit after tax for the period	<u>(4,230)</u>	<u>(1,746)</u>	
Increase in basic and diluted earnings per share	<u>HK0.22 cents</u>	<u>HK0.09 cents</u>	
	30 June	31 December	1 January
	2013	2012	2012
	HK\$'000	HK\$'000	HK\$'000

Consolidated statement of financial position

Decrease in net pension scheme assets	(1,115)	(1,115)	(1,536)
Decrease in deferred tax assets	<u>(4,660)</u>	<u>(7,261)</u>	<u>(3,715)</u>
Decrease in provision (current)	(1,030)	(1,175)	—
Decrease in provision (non-current)	<u>(30,035)</u>	<u>(27,870)</u>	<u>(24,764)</u>
Increase in retained profits	24,930	20,700	19,513
Increase/(decrease) in exchange fluctuation reserve	<u>360</u>	<u>(31)</u>	<u>—</u>

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

HKFRS 9	<i>Financial Instruments</i> ²
HKFRS 9 and HKFRS 7 Amendments	Amendments to HKFRS 9 <i>Financial Instruments</i> and HKFRS 7 <i>Financial Instruments: Disclosures - Mandatory Effective Date of HKFRS 9 and Transition Disclosures</i> ²
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) - <i>Investment Entities</i> ¹
HKAS 32 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities</i> ¹
HKAS 36 Amendments	Amendments to HKAS 36 <i>Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets</i> ¹
HKAS 39 Amendments	Amendments to HKAS 39 <i>Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting</i> ¹
HK(IFRIC)-Int 21	<i>Levies</i> ¹

¹ Effective for annual periods beginning on or after 1 January 2014

² Effective for annual periods beginning on or after 1 January 2015

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.

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 2012.

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 and commercial 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, other trading and investment holding.

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

Segment assets exclude cash and cash equivalents, 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/(loss) information for the Group's reportable operating segments for the six months ended 30 June 2013 and 2012.

	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 2013					
Segment revenue:					
Sales to external customers	472,389	3,854	183,170	—	659,413
Intersegment sales	—	5,797	—	3,484	9,281
Other revenue and gains	<u>3,403</u>	<u>1,723</u>	<u>4,405</u>	<u>52</u>	<u>9,583</u>
	475,792	11,374	187,575	3,536	678,277
<i>Reconciliation:</i>					
Elimination of intersegment sales					<u>(9,281)</u>
Total revenue					<u><u>668,996</u></u>
Segment results	34,994	8,334	10,815	(10,676)	43,467
<i>Reconciliation:</i>					
Elimination of intersegment results					3,178
Interest income					2,441
Finance costs					(1,755)
Equity-settled share option expense					(1,659)
Corporate and other unallocated expenses					<u>(7,794)</u>
Profit before tax					<u><u>37,878</u></u>

	Paint products (Unaudited) HK\$'000 (Restated)	Property investment (Unaudited) HK\$'000	Iron and steel trading (Unaudited) HK\$'000	Others (Unaudited) HK\$'000	Total (Unaudited) HK\$'000 (Restated)
Six months ended 30 June 2012					
Segment revenue:					
Sales to external customers	424,961	3,272	189,847	—	618,080
Intersegment sales	—	3,755	—	—	3,755
Other revenue and gains	<u>3,949</u>	<u>(279)</u>	<u>4,270</u>	<u>157</u>	<u>8,097</u>
	428,910	6,748	194,117	157	629,932
<i>Reconciliation:</i>					
Elimination of intersegment sales					<u>(3,755)</u>
Total revenue					<u><u>626,177</u></u>
Segment results	24,214	2,876	6,547	(1,173)	32,464
<i>Reconciliation:</i>					
Elimination of intersegment results					4,103
Interest income					729
Finance costs					(1,556)
Equity-settled share option expense					(2,507)
Corporate and other unallocated expenses					<u>(7,201)</u>
Profit before tax					<u><u>26,032</u></u>

The following tables present segment assets as at 30 June 2013 and 31 December 2012, and segment capital expenditure for the six months ended 30 June 2013 and 2012 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
As at 30 June 2013					
Segment assets	576,084	365,442	92,202	113,312	1,147,040
<i>Reconciliation:</i>					
Elimination of intersegment receivables					(1,952)
Corporate and other unallocated assets					<u>396,280</u>
Total assets					<u><u>1,541,368</u></u>
	Paint products (Audited) HK\$'000	Property investment (Audited) HK\$'000	Iron and steel trading (Audited) HK\$'000	Others (Audited) HK\$'000	Total (Audited) HK\$'000 (Restated)
As at 31 December 2012					
Segment assets	566,897	333,728	61,767	123,328	1,085,720
<i>Reconciliation:</i>					
Elimination of intersegment receivables					(1,882)
Corporate and other unallocated assets					<u>410,269</u>
Total assets					<u><u>1,494,107</u></u>

	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 2013					
Segment capital expenditure:					
Capital expenditure	4,615	20,639	—	—	25,254
Corporate and other unallocated					<u>3</u>
					<u><u>25,257*</u></u>
Six months ended 30 June 2012					
Segment capital expenditure:					
Capital expenditure	19,871	5	10	—	19,886
Corporate and other unallocated					<u>19</u>
					<u><u>19,905**</u></u>

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

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

During the six months ended 30 June 2013, revenue generated from one of the Group's customers in the iron and steel trading segment amounting to approximately HK\$103,992,000 (six months ended 30 June 2012: HK\$100,426,000) individually accounted for over 10% of the Group's revenue.

3. Other income and gains

An analysis of other income and gains is as follows:

	Six months ended 30 June 2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Bank interest income	2,441	729
Commission income	359	275
Government grants received from Mainland China authorities	1,053	846
Fair value gains on structured deposits	953	—
Foreign exchange differences, net	—	727
Gain on disposal of items of property, plant and equipment, net	—	115
Gain on disposal of a subsidiary	—	60
Recognition of deferred income	160	158
Recovery of amounts due from an associate previously written off	3,813	3,806
Write-off of an amount due to an associate	1,710	—
Others	<u>1,535</u>	<u>2,110</u>
	<u><u>12,024</u></u>	<u><u>8,826</u></u>

4. Finance costs

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on:		
Bank loans wholly repayable within five years	1,681	1,861
Bank loans not wholly repayable within five years	282	345
Finance leases	<u>7</u>	<u>4</u>
	1,970	2,210
Less: Interest capitalised	<u>(215)</u>	<u>(654)</u>
	<u>1,755</u>	<u>1,556</u>

5. Profit before tax

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

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
		(Restated)
Cost of inventories sold	500,406	487,438
Depreciation	10,460	11,024
Amortisation of prepaid land lease payments	279	274
Provision for/(reversal of) impairment of trade receivables	1,300	(40)
Write-down/(write-back) of inventories to net realisable value	(665)	1,463
Loss/(gain) on disposal of items of property, plant and equipment, net	3	(115)
Loss on disposal of an equity investment at fair value through profit or loss - held for trading*	8	—
Fair value losses on equity investments at fair value through profit or loss - held for trading*	8,811	24
Foreign exchange differences, net	<u>912</u>	<u>(727)</u>

* These balances are included in "Other expenses, net" in the condensed consolidated income statement.

6. Income tax

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2012: Nil) 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\$129,000 (six months ended 30 June 2012: HK\$111,000) is included in “Share of profits and losses of associates” on the face of the condensed consolidated income statement.

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 2013 attributable to ordinary equity holders of the parent of HK\$24,992,000 (six months ended 30 June 2012: HK\$17,259,000 (as restated)) and the weighted average number of ordinary shares of 1,888,405,690 (six months ended 30 June 2012: 1,888,405,690) in issue during the period.

No adjustment has been made to the basic earnings per share amount presented for the six months ended 30 June 2013 and 2012 in respect of a potential dilution as the exercise prices of the outstanding share options granted by the Company were higher than the average market price of the shares of the Company during these periods, and accordingly, the share options had an anti-dilutive effect on the basis earnings per share amounts presented.

No other diluting events existed during the six months ended 30 June 2013 and 2012.

8. Dividend

At the annual general meeting held on 5 June 2013, the Company’s shareholders approved the distribution of the final dividend for the year ended 31 December 2012 of HK1 cent (year ended 31 December 2011: HK0.5 cent) per share which amounted to approximately HK\$18,884,000 (year ended 31 December 2011: HK\$9,442,000).

9. Property, plant and equipment

During the six months ended 30 June 2013, the Group acquired items of property, plant and equipment at costs of HK\$4,532,000 (six months ended 30 June 2012: HK\$14,659,000).

Items of property, plant and equipment with an aggregate net book value of HK\$54,000 (six months ended 30 June 2012: HK\$347,000) were disposed of by the Group during the six months ended 30 June 2013, resulting in a net loss on disposal of HK\$3,000 (six months ended 30 June 2012: net gain on disposal of HK\$115,000).

10. Trade and bills receivables

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

An aged analysis of the trade and bills receivables (that are not considered to be impaired), as at the end of the reporting period, based on the payment due date and net of impairment, is as follows:

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Neither past due nor impaired	207,260	172,482
Within three months past due	98,598	73,205
Over three months and within six months past due	10,342	5,867
Over six months past due	<u>2,833</u>	<u>894</u>
	<u>319,033</u>	<u>252,448</u>

11. 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:

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Within three months	133,417	166,626
Over three months and within six months	351	3,605
Over six months	<u>28</u>	<u>27</u>
	<u>133,796</u>	<u>170,258</u>

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

12. Share option scheme

The 2002 Scheme

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

152,800,000 share options was granted on 27 May 2010 under the 2002 Scheme to employees of the Group to subscribe for a total of 152,800,000 new shares of the Company of HK\$0.10 each, vest 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 vesting on 27 May 2014. These share options are exercisable at HK\$0.44 per share and must be exercised within five years from the grant date, and if not so exercised, the share options shall lapse. These share options do not confer rights on the holders to dividends or to vote at shareholders’ meetings.

None of the share options granted on 27 May 2010 under the 2002 Scheme were exercised, cancelled or lapsed during the six months ended 30 June 2013 and 2012.

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

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\$1,659,000 during the six months ended 30 June 2013 (six months ended 30 June 2012: HK\$2,507,000).

The 2012 Scheme

The Company adopted a new share option scheme on 28 June 2012 (the “2012 Scheme”) 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 shall be 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. No share options were granted under the 2012 Scheme up to 30 June 2013.

13. Comparative amounts

As further explained in note 1, due to the adoption of new and revised HKFRSs during the current period, the accounting treatment and presentation of certain items and balances in the unaudited condensed consolidated interim financial statements have been revised to comply with the new requirements. Accordingly, certain prior year adjustments have been made and certain comparative amounts have been restated to conform with the current period's presentation and accounting treatment.

INTERIM DIVIDEND

The directors of the Company have resolved not to declare any interim dividend for the year ending 31 December 2013 (2012: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2013, the recovery of the global economy was sluggish. In Mainland China, the overall economy continued to grow steadily at a moderate pace and the Chinese Government maintained its tightening monetary policies over the real estate market. Facing the ever-changing market environment, the Group actively responded to the market changes and adopted appropriate sales strategies and marketing activities to promote our paint products. The Group's core paint operation continued to have improvement in revenue as well as segment profit.

The Group recorded a profit attributable to the shareholders of the parent company of approximately HK\$24.99 million for the six months ended 30 June 2013 as compared with that of approximately HK\$17.26 million for the last corresponding period.

The Group recorded revenue of approximately HK\$659.41 million representing an increase of 6.7% when compared with last corresponding period. The Group's gross profit for the period increased by 21.7% when compared with that of last corresponding period to approximately HK\$159.01 million. The increase in gross profit was mainly due to the increase in revenue and the improvement of gross profit margin during the period under review.

The manufacturing and sale of paint products continued to be the core business of the Group and contributed approximately 71.6% to the Group's total revenue for the period under review.

Paint Products

Revenue for the period amounted to approximately HK\$472.39 million representing an increase of 11.2% when compared with last corresponding period. The increase in revenue together with the drop in raw material costs contributed the increase in gross profit when compared with last corresponding period. The segment profit was improved to approximately HK\$34.99 million, representing an increase of approximately 44.5% when compared with last corresponding period.

Property Investment

Revenue for the period amounted to approximately HK\$3.85 million when compared with that of approximately HK\$3.27 million in last corresponding period. Segment profit amounted to approximately HK\$8.33 million when compared with that of approximately HK\$2.88 million in last corresponding period. The increase in segment profit for the period was mainly due to the increase in inter-segment sales revenue together with the write-off of an amount due to an associate.

During the period under review, the Group acquired certain office premises in Shenzhen, the PRC at consideration of approximately HK\$20.64 million for long term investment purposes to earn rental income.

Iron and Steel Trading and Related Investments

Revenue for the period amounted to approximately HK\$183.17 million when compared with that of approximately HK\$189.85 million in last corresponding period. The segment profit for the period amounted to approximately HK\$10.82 million when compared with that of approximately HK\$6.55 million in last corresponding period. The increase in segment profit for the period was mainly due to the increase in share of profit from an associate.

Available-for-sale Investments

The Group has an effective interest of 11.9% in the cemetery project situated in Sihui, Guangdong Province, the PRC. The principal activities of which are the development, construction, management and operation of a cemetery. The main types of products of the cemetery are outdoor grave lots, ordinary columbarium niches and special columbarium niches. Sales offices are established in Hong Kong and South China region for marketing purpose. Promotion campaigns have been launched, including regular visits of the cemetery and blessing ceremonies in the cemetery to boost the publicity.

FINANCIAL REVIEW

Liquidity and Financial Information

The Group's business operation is generally financed by its internal funding and bank borrowings. Total cash and bank balances amounted to approximately HK\$238.68 million as at 30 June 2013 compared with approximately HK\$328.73 million as at 31 December 2012. Bank and other borrowings amounted to approximately HK\$226.81 million as at 30 June 2013 compared with approximately HK\$154.52 million as at 31 December 2012. 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 2013, approximately HK\$195.94 million (86.4%) is payable within one year, approximately HK\$5.95 million (2.6%) is payable in the second year, approximately HK\$17.79 million (7.8%) is payable in the third to fifth years and the remaining balance of HK\$7.13 million (3.2%) is payable beyond the fifth year.

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

Gearing ratio of the Group which is expressed as a percentage of total bank and other borrowings to adjusted capital (as defined below) was 24.8% as at 30 June 2013 compared with 17.3% (as restated) as at 31 December 2012. Liquidity ratio of the Group which is expressed as a percentage of current assets to current liabilities was 1.66 times as at 30 June 2013 compared with 1.71 times (as restated) as at 31 December 2012.

Equity and Net Asset Value

Shareholders' funds of the Group as at 30 June 2013 was approximately HK\$974.05 million compared with approximately HK\$955.24 million (as restated) as at 31 December 2012. Adjusted capital of the Group, being shareholders' funds less the unrealised leasehold land and building revaluation reserve and investment property revaluation reserve, as at 30 June 2013 was approximately HK\$914.00 million compared with approximately HK\$895.18 million (as restated) as at 31 December 2012. Net asset value per share as at 30 June 2013 was approximately HK\$0.52 compared with approximately HK\$0.51 (as restated) as at 31 December 2012.

Contingent Liabilities

Guarantees issued by the Company to bankers to secure general banking facilities granted to various subsidiaries outstanding as at 30 June 2013 amounted to approximately HK\$220.43 million compared with approximately HK\$148.76 million as at 31 December 2012.

Pledge of Assets

At 30 June 2013, certain land and buildings, investment properties and trade receivables with aggregate net book value of approximately HK\$502.04 million (31 December 2012 : HK\$473.92 million) were pledged to banks as collaterals for bank and other borrowings. At 30 June 2013, total outstanding secured bank and other borrowings amounted to approximately HK\$190.29 million as compared with approximately HK\$154.52 million as at 31 December 2012.

STAFF

As at 30 June 2013, the Group's staff headcount was 1,122 (30 June 2012 : 1,142). Staff costs (excluding directors' emoluments) amounted to approximately HK\$81.45 million for the period under review as compared with approximately HK\$75.86 million (as restated) 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 2013, there are still uncertainties about the growth of the global economy. However, Mainland China's economy remains fundamentally stable.

Urbanisation is still one of the key aspects for sustaining Mainland China's economic development. Household income has also been growing steadily in spite of the recent concerns about the slowing of Mainland China's GDP growth. The improvement in living standards for mainland citizens are expected to give a strong impetus to the demand for paint products in Mainland China. The Group believes that our paint operation will benefit from the urbanisation and the growth of household income in Mainland China.

While maintaining its existing core business of paint operation, the Group continues to invest in iron and steel trading business as well as property investment in order to diversify and broaden the investment portfolio of the Group. Nevertheless, the Group will continue to focus on its paint operation and is committed to becoming a leading manufacturer of high quality green and safe paint products.

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 CODE

During the six months ended 30 June 2013, the Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, except the following:

- (1) The non-executive directors are not appointed for a specific term. According to the Company's bye-laws, the non-executive directors are subject to re-election at least once every three years.
- (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.

On behalf of the board
Lam Ting Ball, Paul
Chairman

Hong Kong, 29 August 2013

The board of directors of the Company as at the date hereof comprises Messrs. Lam Ting Ball, Paul, Tsui Ho Chuen, Philip and Chong Chi Kwan as executive directors; Messrs. Chan Wa Shek, Zhang Yulin and 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.