



**CNT GROUP LIMITED**

**北海集團有限公司**

(Incorporated in Bermuda with limited liability)

(Stock Code : 701)

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**INTERIM  
REPORT**

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**2013**

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## 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	
	Notes	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000 (Restated)
REVENUE		659,413	618,080
Cost of sales		(500,406)	(487,438)
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		(9,847)	(122)
		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		3,978	1,200
PROFIT BEFORE TAX	5	37,878	26,032
Income tax expenses	6	(12,901)	(8,759)
PROFIT FOR THE PERIOD		24,977	17,273

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**CONDENSED CONSOLIDATED INCOME STATEMENT** (continued)*For the six months ended 30 June 2013*

		Six months ended 30 June	
	Notes	2013	2012
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
			(Restated)
PROFIT/(LOSS) ATTRIBUTABLE TO:			
Owners of the parent		24,992	17,259
Non-controlling interests		(15)	14
		<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>

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**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME***For the six months ended 30 June 2013*

	<b>Six months ended 30 June</b>	
	<b>2013</b>	<b>2012</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Restated)</b>
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>

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## 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)
<b>NON-CURRENT ASSETS</b>			
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>
<b>CURRENT ASSETS</b>			
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>

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## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(continued)

As at 30 June 2013

	Notes	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000 (Restated)
<b>CURRENT LIABILITIES</b>			
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>
<b>NET CURRENT ASSETS</b>		<u>331,930</u>	<u>333,923</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>1,041,545</u>	<u>1,023,043</u>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings		30,873	33,402
Deferred tax liabilities		29,056	26,816
Deferred income		3,792	3,885
Total non-current liabilities		<u>63,721</u>	<u>64,103</u>
Net assets		<u>977,824</u>	<u>958,940</u>
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Issued capital		188,841	188,841
Reserves		785,211	766,395
		<u>974,052</u>	<u>955,236</u>
<b>Non-controlling interests</b>		<u>3,772</u>	<u>3,704</u>
Total equity		<u>977,824</u>	<u>958,940</u>

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to owners of the parent

	Issued share capital (Unaudited) HK\$'000	Share premium account (Unaudited) HK\$'000	Share option reserve (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Leasehold land and building revaluation reserve (Unaudited) HK\$'000	Investment property revaluation reserve * (Unaudited) HK\$'000	General reserve (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	Reserve funds ** (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Non-controlling interests (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
At 1 January 2013	188,841	81,145	22,627	346,351	46,499	13,557	10,144	47,811	30,517	144,075	934,567	3,704	938,271
Prior year adjustments	-	-	-	-	-	-	-	(31)	-	20,700	20,669	-	20,669
As restated	188,841	81,145	22,627	346,351	46,499	13,557	10,144	47,780	30,517	164,775	955,236	3,704	958,940
Profit/(loss) for the period	-	-	-	-	-	-	-	-	-	24,982	24,982	(15)	24,977
Other comprehensive income/(loss) for the period:													
Share of other comprehensive loss of an associate	-	-	-	-	-	-	-	-	(18)	-	(18)	-	(18)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	11,067	-	-	11,067	83	11,150
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	-	11,067	(18)	24,982	36,041	68	36,109
Final 2012 dividend declared and paid	-	-	-	(18,884)	-	-	-	-	-	-	(18,884)	-	(18,884)
Equity-settled share option arrangement	-	-	1,659	-	-	-	-	-	-	-	1,659	-	1,659
At 30 June 2013	188,841	81,145	24,286	330,467	46,499	13,557	10,144	58,847	30,499	189,767	974,052	3,772	977,824

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

Attributable to owners of the parent

	Issued share capital (Unaudited) HK\$'000	Share premium account (Unaudited) HK\$'000	State option reserve (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Leasehold land and building revaluation reserve (Unaudited) HK\$'000	Investment property revaluation reserve* (Unaudited) HK\$'000	General reserve (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	Reserve funds** (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Total interests (Unaudited) HK\$'000	Non-controlling interests (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
At 1 January 2012	188,841	81,145	18,349	358,793	46,499	13,557	10,144	42,721	30,102	84,681	874,832	3,710	878,542
Prior year adjustments	—	—	—	—	—	—	—	—	—	19,513	19,513	—	19,513
As restated	188,841	81,145	18,349	358,793	46,499	13,557	10,144	42,721	30,102	104,194	894,345	3,710	898,055
Profit for the period	—	—	—	—	—	—	—	—	—	17,259	17,259	14	17,273
Other comprehensive loss for the period:													
Share of other comprehensive loss of an associate	—	—	—	—	—	—	—	—	(18)	—	(18)	—	(18)
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	(4,652)	—	—	(4,652)	(40)	(4,692)
Total comprehensive income/(loss) for the period	—	—	—	—	—	—	—	(4,652)	(18)	17,259	12,589	(26)	12,563
Final 2011 dividend declared	—	—	—	(9,442)	—	—	—	—	—	—	(9,442)	—	(9,442)
Equity-settled share option arrangement	—	—	2,507	—	—	—	—	—	—	—	2,507	—	2,507
At 30 June 2012	188,841	81,145	20,856 <sup>6</sup>	348,351 <sup>1</sup>	46,499 <sup>1</sup>	13,557 <sup>1</sup>	10,144 <sup>4</sup>	38,069 <sup>1</sup>	30,084 <sup>4</sup>	121,453 <sup>3</sup>	899,999	3,684	903,683



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## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

- \* The investment property revaluation reserve represents the attributable revaluation surplus in respect of the leasehold land and buildings, which were reclassified as investment properties in prior years. This revaluation reserve arose while 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 income statement.
- \*\* Pursuant to the relevant laws and regulations for foreign investment enterprises, a portion of the profit of certain subsidiaries and an associate of the Group in the People's Republic of China (the "PRC") is required to be transferred to the PRC reserve funds which are restricted as to use. These PRC entities are not required to effect any further transfer when the amount of the PRC reserve funds reach 50% of their registered capital. The PRC reserve funds can be used to make good future losses or to increase their registered capital.
- # These reserve accounts comprise the consolidated reserves of HK\$785,211,000 (six months ended 30 June 2012: HK\$711,158,000 (as restated)) in the condensed consolidated statement of financial position.

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## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2013

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash flows used in operating activities	(50,041)	(17,866)
Net cash flows used in investing activities	(93,567)	(14,021)
Net cash flows from financing activities	52,690	9,788
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(90,918)	(22,099)
Cash and cash equivalents at beginning of period	324,639	307,437
Effect of foreign exchange rate changes, net	4,960	(2,112)
	<hr/>	<hr/>
Cash and cash equivalents at end of period	238,681	283,226
	<hr/>	<hr/>
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	188,089	155,174
Non-pledged time deposits with original maturity of less than three months when acquired	50,592	128,052
	<hr/>	<hr/>
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	238,681	283,226
Non-pledged time deposits with original maturity of more than three months when acquired	—	4,907
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Cash and cash equivalents as stated in the condensed consolidated statement of financial position	238,681	288,133
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## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. Basis for preparation and accounting policies

These unaudited condensed consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The accounting policies and basis of preparation adopted in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 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>Stripping Costs in the Production Phase of a Surface Mine</i>
<i>Annual Improvements 2009 – 2011 Cycle</i>	Amendments to a number of HKFRSs issued in June 2012

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## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 1. Basis for preparation and accounting policies (continued)

Other than as further explained below, the adoption of the above new and revised HKFRSs has had no significant financial effect on these 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. The Group provides these disclosures in note 15 to these unaudited condensed consolidated interim financial statements.

#### **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.

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## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 1. Basis for preparation and accounting policies (continued)

#### **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*.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 1. Basis for preparation and accounting policies (continued)

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.

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

<b>30 June</b>	31 December	1 January
<b>2013</b>	2012	2012
<b>HK\$'000</b>	HK\$'000	HK\$'000

#### *Consolidated statement of financial position*

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

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## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 1. Basis for preparation and accounting policies (continued)

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

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

<sup>2</sup> 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.

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 2012.

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## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 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.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 2. Operating segment information (continued)

The following tables present revenue and profit/(loss) information for the Group's reportable operating segments for the six months ended 30 June 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
<b>Six months ended</b>					
<b>30 June 2013</b>					
<b>Segment revenue:</b>					
Sales to external customers	472,389	3,854	183,170	—	659,413
Intersegment sales	—	5,797	—	3,484	9,281
Other revenue and gains	3,403	1,723	4,405	52	9,583
	<u>475,792</u>	<u>11,374</u>	<u>187,575</u>	<u>3,536</u>	<u>678,277</u>
<i>Reconciliation:</i>					
Elimination of intersegment sales					<u>(9,281)</u>
Total revenue					<u><u>668,996</u></u>
<b>Segment results</b>	<b>34,994</b>	<b>8,334</b>	<b>10,815</b>	<b>(10,676)</b>	<b>43,467</b>
<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>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 2. Operating segment information (continued)

	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)
<b>Six months ended</b>					
<b>30 June 2012</b>					
<b>Segment revenue:</b>					
Sales to external					
customers	424,961	3,272	189,847	—	618,080
Intersegment sales	—	3,755	—	—	3,755
Other revenue and gains	3,949	(279)	4,270	157	8,097
	<u>428,910</u>	<u>6,748</u>	<u>194,117</u>	<u>157</u>	<u>629,932</u>
<i>Reconciliation:</i>					
Elimination of intersegment sales					<u>(3,755)</u>
Total revenue					<u><u>626,177</u></u>
<b>Segment results</b>	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>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 2. Operating segment information (continued)

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
<b>As at 30 June 2013</b>					
<b>Segment assets</b>	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					396,280
<b>Total assets</b>					<b>1,541,368</b>

	Paint products (Audited) HK\$'000	Property investment (Audited) HK\$'000	Iron and steel trading (Audited) HK\$'000	Others (Audited) HK\$'000	Total (Audited) HK\$'000 (Restated)
<b>As at 31 December 2012</b>					
<b>Segment assets</b>	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					410,269
<b>Total assets</b>					<b>1,494,107</b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 2. Operating segment information (continued)

	Paint products (Unaudited) HK\$'000	Property investment (Unaudited) HK\$'000	Iron and steel trading (Unaudited) HK\$'000	Others (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
<b>Six months ended</b>					
<b>30 June 2013</b>					
<b>Segment capital expenditure:</b>					
Capital expenditure	4,615	20,639	—	—	25,254
Corporate and other unallocated					3
					<u>25,257*</u>
<b>Six months ended</b>					
<b>30 June 2012</b>					
<b>Segment capital expenditure:</b>					
Capital expenditure	19,871	5	10	—	19,886
Corporate and other unallocated					19
					<u>19,905**</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.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 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	1,535	2,110
	<b>12,024</b>	<b>8,826</b>

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## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 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	7	4
	<u>1,970</u>	<u>2,210</u>
Less: Interest capitalised	(215)	(654)
	<u>1,755</u>	<u>1,556</u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 5. Profit before tax

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

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

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

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## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 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).



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## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 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:

	<b>30 June 2013 (Unaudited) HK\$'000</b>	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	2,833	894
	<u>319,033</u>	<u>252,448</u>

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## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 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:

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

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.

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## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 12. Share option scheme (continued)

#### The 2002 Scheme (continued)

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.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 13. Related party transactions

(a) *Outstanding balance with related parties*

The amounts due to associates included in the Group's current liabilities as at 30 June 2013 of HK\$2,550,000 (31 December 2012: HK\$4,260,000) are unsecured and interest-free, and are either repayable with not less than 30 days' prior written notice or have no fixed terms of repayment.

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

	<b>Six months ended 30 June</b>	
	<b>2013</b>	2012
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Short term employee benefits	<b>4,736</b>	7,953
Post-employment benefits	<b>190</b>	260
	<hr/>	<hr/>
Total compensation paid/payable to key management personnel	<b>4,926</b>	8,213
	<hr/> <hr/>	<hr/> <hr/>

### 14. Capital commitments

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

	<b>30 June</b>	31 December
	<b>2013</b>	2012
	<b>(Unaudited)</b>	(Audited)
	<b>HK\$'000</b>	HK\$'000
Contracted, but not provided for:		
Purchases of land use rights	<b>1,975</b>	1,941
Capital contribution to subsidiaries	<b>28,161</b>	15,502
Construction and purchases of items of property, plant and equipment	<b>13,387</b>	17,457
	<hr/>	<hr/>
	<b>43,523</b>	34,900
	<hr/> <hr/>	<hr/> <hr/>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 15. Fair value measurement

The carrying amounts and fair values of the Group's financial instruments, except for available-for-sale investments which carried at cost less impairment, are as follows:

	Carrying amounts 30 June 2013 (Unaudited) HK\$'000	Fair values 30 June 2013 (Unaudited) HK\$'000
<b>Financial assets</b>		
Trade and bills receivable	319,033	319,033
Financial assets included in prepayments, deposits and other receivables	29,782	29,782
Equity investments at fair value through profit or loss	11,027	11,027
Structured deposits	152,728	152,728
Cash and cash equivalents	238,681	238,681
	<u>751,251</u>	<u>751,251</u>
<b>Financial liabilities</b>		
Due to associates	2,550	2,550
Trade and bills payables	133,796	133,796
Financial liabilities included in other payables and accruals	38,066	38,066
Derivative financial instruments	146	146
Interest-bearing bank and other borrowings	226,808	226,605
	<u>401,366</u>	<u>401,163</u>

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## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 15. Fair value measurement (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 cash and cash equivalents, structured 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 amounts due to associates approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the non-current portion of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments on similar terms, credit risk and remaining maturities.

The fair values of the listed equity investments are based on quoted market prices.

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 15. Fair value measurement (continued)

#### 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 all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<i>Assets measured at fair value:</i>				
<b>At 30 June 2013</b>				
Equity investments at fair value through profit or loss				
– listed	11,027	—	—	11,027
Structured deposits	—	152,728	—	152,728
	<u>11,027</u>	<u>152,728</u>	<u>—</u>	<u>163,755</u>

*Liabilities measured at  
fair value:*

#### **At 30 June 2013**

Derivative financial instruments	<u>—</u>	<u>146</u>	<u>—</u>	<u>146</u>
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## **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS** (continued)

### **16. 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.

### **17. Approval of the interim financial report**

These unaudited condensed consolidated interim financial statements were approved and authorised for issue by the board of directors on 29 August 2013.

## **INTERIM DIVIDEND**

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



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## **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.

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## **MANAGEMENT DISCUSSION AND ANALYSIS** (continued)

### **BUSINESS REVIEW** (continued)

#### **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.

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## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### 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.

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## **MANAGEMENT DISCUSSION AND ANALYSIS** (continued)

### **FINANCIAL REVIEW** (continued)

#### **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.

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## **MANAGEMENT DISCUSSION AND ANALYSIS** (continued)

### **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.

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## 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 2013, the interests of the directors of the Company in the shares and underlying shares of the Company as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO") were as follows:

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

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

Save as disclosed above, as at 30 June 2013, none of the directors or chief executives of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Part XV of the SFO or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, or which were recorded in the register required to be kept by the Company under Section 352 of the SFO. Nor any of the directors and the chief executives had any interest in, or had been granted any right to subscribe for the securities of the Company and its associated corporations (within the meaning of Part XV of the SFO) or had exercised any such right during the period under review.

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## SHARE OPTIONS

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

Category of eligible participants	Date of grant	Exercise period	Exercise price per share HK\$	Balance at 1.1.2013	Number of shares under options			Balance at 30.6.2013
					Granted during the period	Exercised during the period	Cancelled/ lapsed during the period	
Continuous contract employees	27.5.2010	27.5.2010 to 26.5.2015	0.44	152,800,000	—	—	—	152,800,000

Note:

The vesting periods of the options granted are as follows:

10% : 27 May 2010 to 26 May 2011

10% : 27 May 2010 to 26 May 2012

10% : 27 May 2010 to 26 May 2013

20% : 27 May 2010 to 26 May 2014

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

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

As at 30 June 2013, the register maintained by the Company under Section 336 of the SFO showed that the following persons (other than the directors of the Company) had interests and short positions in the shares and underlying shares of the Company:

Name	Note	Capacity	Number of shares	Number of underlying shares (unlisted and physically settled equity derivative)	Percentage of issued share capital
<b>10% or more of issued share capital</b>					
Prime Surplus	1	Beneficial owner	498,053,620	—	26.37%
Ho Mei Po, Mabel	2	Interest of spouse	498,053,620	—	26.37%
Chinaculture.com Limited	3	Beneficial owner	281,049,655	—	14.88%
Chuang's China Investments Limited	3	Interest of controlled corporation	281,049,655	—	14.88%
Profit Stability Investments Limited	3	Interest of controlled corporations	281,049,655	—	14.88%
Chuang's Consortium International Limited	3	Interest of controlled corporations	281,049,655	—	14.88%
Evergain Holdings Limited	3	Interest of controlled corporations	281,049,655	—	14.88%
Chong Shaw Swee, Alan	3	Interest of controlled corporations	281,049,655	—	14.88%
Chong Ho Pik Yu	3	Interest of spouse	281,049,655	—	14.88%



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

Name	Note	Capacity	Number of shares	Number of underlying shares (unlisted and physically settled equity derivative)	Percentage of issued share capital
<b>Below 10% of issued share capital</b>					
Broadsino Investment Company Limited	4	Beneficial owner	98,000,000	—	5.18%
Rapid Growth Ltd.	5	Trustee	—	98,000,000	5.18%
Polygold Holdings Limited	5	Interest of controlled corporation	—	98,000,000	5.18%
Xie Jian Ming	5	Interest of controlled corporations	—	98,000,000	5.18%

### Notes:

- (1) The 498,053,620 shares were beneficially owned by Prime Surplus. This interest is duplicated in the interests of Mr. Tsui Ho Chuen, Philip as disclosed under the heading “Directors’ interests and short positions in shares, underlying shares and debentures” above.
- (2) Ms. Ho Mei Po, Mabel is the wife of Mr. Tsui Ho Chuen, Philip and was taken to be interested in 498,053,620 shares in which her spouse was interested under the SFO.
- (3) The references to the 281,049,655 shares relate to the same block of 281,049,655 shares beneficially interested by Chinaculture.com Limited (“Chinaculture”).

Chinaculture was a wholly-owned subsidiary of Chuang’s China Investments Limited (“Chuang’s China”), which in turn was a 56.92% owned subsidiary of Profit Stability Investments Limited (“Profit Stability”). Chuang’s Consortium International Limited (“Chuang’s Consortium”) held 100% equity interest

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

Notes: (continued)

in Profit Stability. Evergain Holdings Limited (“Evergain”) was interested in 41.39% of the issued share capital of Chuang’s Consortium. Mr. Chong Shaw Swee, Alan (“Mr. Alan Chong”) was interested in 100% of the issued share capital of Evergain. Ms. Chong Ho Pik Yu (“Mrs. Chong”) is the wife of Mr. Alan Chong.

Chuang’s China, Profit Stability, Chuang’s Consortium, Evergain, Mr. Alan Chong and Mrs. Chong were all deemed under the SFO to be interested in these 281,049,655 shares which were owned by Chinaculture.

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

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

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

Save as disclosed above, the Company has not been notified by any person (other than the directors of the Company) who had interests or short positions in the shares or underlying shares of the Company as at 30 June 2013 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.

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## **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 (the "Listing Rules"), 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.

## **CHANGES IN INFORMATION OF DIRECTORS**

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

- (1) Bonus of one-month salary was approved to be paid to Messrs. Lam Ting Ball, Paul, Tsui Ho Chuen, Philip and Chong Chi Kwan in September 2013.
- (2) The consultancy fee payable to Mr. Chan Wa Shek for providing consultancy services to the Company in respect of projects development and related matters in Hong Kong and Mainland China will be revised from HK\$25,000 to HK\$35,000 per month with effect from 1 September 2013.

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## **CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in 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 2013.

On behalf of the board  
**Lam Ting Ball, Paul**  
*Chairman*

Hong Kong, 29 August 2013

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## **BOARD OF DIRECTORS**

### **Executive Directors**

Lam Ting Ball, Paul (Chairman)

Tsui Ho Chuen, Philip

(Executive Deputy Chairman and Managing Director)

Chong Chi Kwan (Finance Director)

### **Non-executive Directors**

Chan Wa Shek

Zhang Yulin

Ko Sheung Chi

### **Independent Non-executive Directors**

Sir David Akers-Jones (Deputy Chairman)

Danny T Wong

Steven Chow

Zhang Xiaojing

## **PRINCIPAL OFFICE**

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