



CNT GROUP LIMITED

北海集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code : 701)



**GOLDEN
FLOWER**

INTERIM REPORT 2016

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Lam Ting Ball, Paul (*Chairman*)
Tsui Ho Chuen, Philip
(*Executive Deputy Chairman and Managing Director*)
Chong Chi Kwan (*Finance Director*)

Non-executive Directors

Chan Wa Shek
Zhang Yulin
Hung Ting Ho, Richard (*appointed on 4 July 2016*)

Independent Non-executive Directors

Sir David Akers-Jones (*Deputy Chairman*)
Danny T Wong
Steven Chow
Zhang Xiaojing

AUDIT COMMITTEE

Sir David Akers-Jones (*Chairman*)
Danny T Wong
Chan Wa Shek

REMUNERATION COMMITTEE

Sir David Akers-Jones (*Chairman*)
Lam Ting Ball, Paul
Danny T Wong

COMPANY SECRETARY

Fok Pik Yi, Carol

AUDITORS

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

SHARE REGISTRARS

Hong Kong

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

Bermuda

Codan Services Limited
Clarendon House, 2 Church Street
Hamilton HM 11, Bermuda

PRINCIPAL BANKERS

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

REGISTERED OFFICE

Clarendon House, 2 Church Street
Hamilton HM 11, Bermuda

PRINCIPAL OFFICE

31st Floor, CNT Tower, 338 Hennessy Road
Wanchai, Hong Kong

WEBSITE

www.cntgroup.com.hk

Interim Results

The board of directors (the "Board") of CNT Group Limited (the "Company") presents the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2016 together with comparative amounts for the corresponding period in 2015. The condensed consolidated interim financial statements have not been audited, but have been reviewed by the Company's audit committee.

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2016

	Notes	Six months ended 30 June	
		2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
REVENUE	3	468,453	504,016
Cost of sales		(301,302)	(357,539)
Gross profit		167,151	146,477
Other income and gains, net	3	6,297	10,955
Selling and distribution expenses		(72,261)	(72,949)
Administrative expenses		(68,200)	(62,275)
Other expenses, net		(52)	(105)
Fair value gains on investment properties, net	10	32,935	22,103
Finance costs	4	(1,414)	(1,903)
Share of profits and losses of associates		1,358	468
PROFIT BEFORE TAX	5	38,332	30,635
Income tax expenses	6	(7,617)	(9,754)
PROFIT FOR THE PERIOD		30,715	20,881
ATTRIBUTABLE TO:			
Owners of the parent		30,770	21,181
Non-controlling interests		(55)	(300)
		30,715	20,881
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	7		
Basic and diluted		HK1.62 cents	HK1.12 cents

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
PROFIT FOR THE PERIOD	30,715	20,881
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(22,337)	661
Share of other comprehensive income/(loss) of an associate	70	(33)
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	(22,267)	628
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods:		
Remeasurement of net pension scheme assets	(459)	–
Gains on property revaluation	–	7,569
Net other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods	(459)	7,569
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	(22,726)	8,197
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	7,989	29,078
ATTRIBUTABLE TO:		
Owners of the parent	8,132	29,376
Non-controlling interests	(143)	(298)
	7,989	29,078

Condensed Consolidated Statement of Financial Position

As at 30 June 2016

	Notes	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	270,986	275,956
Investment properties	10	573,700	569,937
Properties under development		28,000	28,000
Prepaid land lease payments		19,450	20,181
Interests in associates		12,504	11,076
Available-for-sale investments		96,083	96,083
Deposits for purchases of properties, and plant and equipment		59,930	32,477
Net pension scheme assets		1,629	2,178
Deferred tax assets		7,657	7,985
Total non-current assets		1,069,939	1,043,873
CURRENT ASSETS			
Inventories		58,256	62,464
Trade and bills receivables	11	347,547	354,360
Prepayments, deposits and other receivables		42,953	47,184
Structured deposits		134,494	160,549
Pledged deposits		2,998	3,179
Restricted cash		70,090	71,610
Cash and cash equivalents		197,048	277,394
Total current assets		853,386	976,740
CURRENT LIABILITIES			
Trade and bills payables	12	132,761	128,656
Other payables and accruals		138,755	145,164
Derivative financial instrument		–	10
Due to an associate		2,800	2,800
Interest-bearing bank and other borrowings		115,012	189,211
Tax payable		14,202	19,534
Total current liabilities		403,530	485,375
NET CURRENT ASSETS		449,856	491,365
TOTAL ASSETS LESS CURRENT LIABILITIES		1,519,795	1,535,238

Condensed Consolidated Statement of Financial Position

As at 30 June 2016

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	13,170	16,139
Deferred tax liabilities	45,195	46,406
Deferred income	2,598	2,813
	<hr/>	<hr/>
Total non-current liabilities	60,963	65,358
	<hr/>	<hr/>
Net assets	1,458,832	1,469,880
	<hr/> <hr/>	<hr/> <hr/>
EQUITY		
Equity attributable to owners of the parent		
Issued capital	190,369	190,369
Reserves	1,264,763	1,275,668
	<hr/>	<hr/>
	1,455,132	1,466,037
	<hr/>	<hr/>
Non-controlling interests	3,700	3,843
	<hr/>	<hr/>
Total equity	1,458,832	1,469,880
	<hr/> <hr/>	<hr/> <hr/>

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2016

	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 2016	190,369	88,970	-	284,962	249,069	13,557	10,144	9,636	30,751	588,579	1,466,037	3,843	1,469,880
Profit for the period	-	-	-	-	-	-	-	-	-	30,770	30,770	(55)	30,715
Other comprehensive income/(loss) for the period:													
Remeasurement of net pension scheme assets	-	-	-	-	-	-	-	-	-	(459)	(459)	-	(459)
Share of other comprehensive income of an associate	-	-	-	-	-	-	-	34	36	-	70	-	70
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	(22,249)	-	-	(22,249)	(88)	(22,337)
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	-	(22,215)	36	30,311	8,132	(143)	7,989
Final 2015 dividend declared and paid	-	-	-	(19,037)	-	-	-	-	-	-	(19,037)	-	(19,037)
At 30 June 2016	190,369	88,970 [†]	- [‡]	265,925 [‡]	249,069 [‡]	13,557 [‡]	10,144 [‡]	(12,579) [‡]	30,787 [‡]	618,890 [‡]	1,455,132	3,700	1,458,832

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2016

	Attributable to owners of the parent												
	Issued share capital (Unaudited) HK\$'000	Share premium account (Unaudited) HK\$'000	Share option reserve (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Leasehold land and building revaluation reserve (Unaudited) HK\$'000	Investment property revaluation reserve* (Unaudited) HK\$'000	General reserve (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	Reserve funds** (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Non-controlling interests (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
At 1 January 2015	188,841	81,145	23,672	307,806	152,206	13,557	10,144	49,591	30,605	481,672	1,339,239	4,596	1,343,835
Profit for the period	-	-	-	-	-	-	-	-	-	21,181	21,181	(300)	20,881
Other comprehensive income/(loss) for the period:													
Share of other comprehensive loss of an associate	-	-	-	-	-	-	-	(15)	(18)	-	(33)	-	(33)
Gains on property revaluation	-	-	-	-	7,569	-	-	-	-	-	7,569	-	7,569
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	659	-	-	659	2	661
Total comprehensive income/(loss) for the period	-	-	-	-	7,569	-	-	644	(18)	21,181	29,376	(298)	29,078
Final 2014 dividend declared and paid	-	-	-	(22,844)	-	-	-	-	-	-	(22,844)	-	(22,844)
Exercise of share options	1,528	7,825	(2,630)	-	-	-	-	-	-	-	6,723	-	6,723
Transfer of share option reserve upon the lapse of share options	-	-	(21,042)	-	-	-	-	-	-	21,042	-	-	-
At 30 June 2015	<u>190,369</u>	<u>88,970[#]</u>	<u>-[#]</u>	<u>284,962[#]</u>	<u>159,775[#]</u>	<u>13,557[#]</u>	<u>10,144[#]</u>	<u>50,235[#]</u>	<u>30,587[#]</u>	<u>523,895[#]</u>	<u>1,352,494</u>	<u>4,298</u>	<u>1,356,792</u>

* The investment property revaluation reserve represents the attributable revaluation surplus in respect of the leasehold land and buildings which were reclassified as investment properties prior to 1 January 2000. This revaluation reserve arose when the properties were classified as land and buildings, and therefore is not available to offset subsequent revaluation deficits arising on the investment properties. The revaluation reserve is transferred to retained profits only upon the disposal or retirement of the relevant assets and such transfer is not made in the condensed consolidated statement of profit or loss.

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

These reserve accounts comprise the consolidated reserves of HK\$1,264,763,000 (30 June 2015: HK\$1,162,125,000) in the condensed consolidated statement of financial position.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating profit before working capital changes	40,504	29,982
Decrease/(increase) in inventories	6,799	(17,118)
Decrease/(increase) in trade and bills receivables	(5,526)	100,715
Decrease/(increase) in prepayments, deposits and other receivables	3,312	(11,665)
Increase/(decrease) in trade and bills payables	7,058	(63,701)
Decrease in other payables and accruals	(3,832)	(29,869)
Exchange realignment	99	381
	<hr/>	<hr/>
Cash generated from operations	48,414	8,725
Interest paid	(1,470)	(1,908)
Interest element of finance lease rental payments	(1)	(4)
Overseas taxes paid	(13,646)	(9,605)
	<hr/>	<hr/>
Net cash flows from/(used in) operating activities	33,297	(2,792)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(9,924)	(8,393)
Proceeds from disposal of items of property, plant and equipment	433	120
Additions to investment properties	(557)	(21)
Investments in structured deposits	(214,453)	(215,546)
Proceeds from structured deposits	239,566	253,617
Interest received	1,873	1,863
Dividend received from an associate	-	1,469
Deposits paid for purchases of properties, and plant and equipment	(29,145)	(840)
Decrease in time deposits with original maturity of more than three months when acquired	81,569	27,735
	<hr/>	<hr/>
Net cash flows from investing activities	69,362	60,004
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from share options exercised	-	6,723
New bank loans	89,940	147,629
Repayment of bank loans	(167,080)	(155,155)
Dividend paid	(19,037)	(22,844)
Capital element of finance lease rental payments	(11)	(117)
	<hr/>	<hr/>
Net cash flows used in financing activities	(96,188)	(23,764)
NET INCREASE IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at beginning of period	6,471	33,448
Effect of foreign exchange rate changes, net	270,614	184,964
	(6,949)	177
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	270,136	218,589

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	185,391	130,304
Non-pledged/non-restricted time deposits	11,657	98,505
	<hr/>	<hr/>
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	197,048	228,809
Restricted bank balance	11,805	–
Pledged time deposits with original maturity of less than three months when acquired	2,998	2,281
Restricted time deposits with original maturity of less than three months when acquired	58,285	–
Non-pledged time deposits with original maturity of more than three months when acquired	–	(12,501)
	<hr/>	<hr/>
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	270,136	218,589
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Condensed Consolidated Financial Statements

1. BASIS FOR PREPARATION AND ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The accounting policies and basis of preparation adopted in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2015, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“HKFRSs”, which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA which are effective for the Group’s annual period beginning on 1 January 2016.

HKFRS 14	<i>Regulatory Deferral Accounts</i>
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	<i>Investment Entities: Applying the Consolidation Exception</i>
Amendments to HKFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i>
Amendments to HKAS 1	<i>Disclosure Initiative</i>
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants</i>
Amendments to HKAS 27 (2011)	<i>Equity Method in Separate Financial Statements</i>
<i>Annual Improvements 2012-2014 Cycle</i>	Amendments to a number of HKFRSs

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

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

HKFRS 9	<i>Financial Instruments²</i>
HKFRS 15	<i>Revenue from Contracts with Customers²</i>
HKFRS 16	<i>Leases³</i>
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture⁴</i>
Amendments to HKAS 7	<i>Disclosure Initiative¹</i>
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses¹</i>

¹ Effective for annual periods beginning on or after 1 January 2017

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

³ Effective for annual periods beginning on or after 1 January 2019

⁴ Originally effective for the annual periods beginning on or after 1 January 2016, which has been deferred/ removed and the adoption of the amendments continues to be permitted

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on the Group’s results of operations and financial position.

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 2015.

Notes to the Condensed Consolidated Financial Statements

2. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

- (a) the paint products segment engages in the manufacture and sale of paint products and related services;
- (b) the property investment segment comprises:
 - (i) the investment in residential, commercial and industrial premises for their rental income potential; and
 - (ii) the development and sale of properties;
- (c) the iron and steel trading segment comprises the trading of iron and steel products and related investments; and
- (d) the “others” segment comprises, principally, provision of advertising services, and investment holding.

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

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

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

Intersegment sales and transfers are transacted on mutually agreed terms.

Notes to the Condensed Consolidated Financial Statements

2. OPERATING SEGMENT INFORMATION (continued)

	Paint products (Unaudited) HK\$'000	Property investment (Unaudited) HK\$'000	Iron and steel trading (Unaudited) HK\$'000	Others (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Six months ended 30 June 2016					
Segment revenue:					
Sales to external customers	388,437	17,202	62,814	–	468,453
Intersegment sales	–	3,096	–	2,978	6,074
Other revenue and gains, net	2,498	5,477	308	(417)	7,866
	390,935	25,775	63,122	2,561	482,393
<i>Reconciliation:</i>					
Elimination of intersegment sales					(6,074)
Total					476,319
Segment results					
	20,866	17,933	2,134	400	41,333
<i>Reconciliation:</i>					
Elimination of intersegment results					(232)
Interest income					1,873
Fair value gains on structured deposits					2,011
Finance costs					(1,414)
Corporate and other unallocated expenses					(5,239)
Profit before tax					38,332
Six months ended 30 June 2015					
Segment revenue:					
Sales to external customers	379,305	10,187	114,524	–	504,016
Intersegment sales	–	8,481	–	3,740	12,221
Other revenue and gains	4,727	9,987	312	78	15,104
	384,032	28,655	114,836	3,818	531,341
<i>Reconciliation:</i>					
Elimination of intersegment sales					(12,221)
Total					519,120
Segment results					
	5,181	23,921	2,395	919	32,416
<i>Reconciliation:</i>					
Elimination of intersegment results					(261)
Interest income					3,041
Fair value gains on structured deposits					2,777
Finance costs					(1,903)
Corporate and other unallocated expenses					(5,435)
Profit before tax					30,635

Notes to the Condensed Consolidated Financial Statements

2. OPERATING SEGMENT INFORMATION (continued)

	Paint products (Unaudited) HK\$'000	Property investment (Unaudited) HK\$'000	Iron and steel trading (Unaudited) HK\$'000	Others (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 30 June 2016					
Segment assets	630,523	739,841	43,490	96,052	1,509,906
<i>Reconciliation:</i>					
Elimination of intersegment receivables					(1,012)
Corporate and other unallocated assets					414,431
Total assets					1,923,325
Segment liabilities	252,581	6,359	14,818	662	274,420
<i>Reconciliation:</i>					
Elimination of intersegment payables					(1,012)
Corporate and other unallocated liabilities					191,085
Total liabilities					464,493
At 31 December 2015					
Segment assets	647,011	707,481	47,647	96,057	1,498,196
<i>Reconciliation:</i>					
Elimination of intersegment receivables					(1,027)
Corporate and other unallocated assets					523,444
Total assets					2,020,613
Segment liabilities	256,342	5,958	13,767	690	276,757
<i>Reconciliation:</i>					
Elimination of intersegment payables					(1,027)
Corporate and other unallocated liabilities					275,003
Total liabilities					550,733

Notes to the Condensed Consolidated Financial Statements

2. OPERATING SEGMENT INFORMATION (continued)

	Paint products (Unaudited) HK\$'000	Property investment (Unaudited) HK\$'000	Iron and steel trading (Unaudited) HK\$'000	Others (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Six months ended 30 June 2016					
Segment capital expenditure:					
Capital expenditure	11,049	28,547	30	–	39,626
Corporate and other unallocated					–
					<u>39,626*</u>
Six months ended 30 June 2015					
Segment capital expenditure:					
Capital expenditure	8,875	25	–	–	8,900
Corporate and other unallocated					354
					<u>9,254*</u>

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

During the six months ended 30 June 2016 and 2015, no revenue from any single customer accounted for 10% or more of the Group's revenue.

Notes to the Condensed Consolidated Financial Statements

3. REVENUE, OTHER INCOME AND GAINS, NET

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

	Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Revenue		
Sale of paint products and related services	388,437	379,305
Sale of iron and steel products	62,814	114,524
Gross rental income from investment properties	17,202	10,187
	<u>468,453</u>	<u>504,016</u>
Other income and gains, net		
Bank interest income	1,873	3,041
Commission income	60	78
Government grants received from Mainland China authorities*	307	3,087
Fair value gains		
Structured deposits	2,011	2,777
Derivative instrument – transaction not qualifying as hedge	10	–
Foreign exchange differences, net	419	–
Gain on disposal of items of property, plant and equipment, net	–	8
Recognition of deferred income	153	160
Others	1,464	1,804
	<u>6,297</u>	<u>10,955</u>

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

Notes to the Condensed Consolidated Financial Statements

4. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Interest on bank loans	1,413	1,899
Interest on finance leases	1	4
	<hr/>	<hr/>
Total interest expense on financial liabilities	1,414	1,903

5. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Cost of inventories sold	301,302	357,539
Depreciation	10,250	9,730
Amortisation of prepaid land lease payments	266	278
Provision for impairment of trade receivables	4,952	1,194
Write-down/(write-back) of inventories to net realisable value, net	(3,987)	1,446
Gain on disposal of items of property, plant and equipment, net*	-	(8)
Foreign exchange differences, net*	(419)	65

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

6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2015: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

The share of tax attributable to an associate amounting to HK\$160,000 (six months ended 30 June 2015: HK\$158,000) is included in "Share of profits and losses of associates" in the condensed consolidated statement of profit or loss.

7. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the six months ended 30 June 2016 attributable to ordinary equity holders of the parent of HK\$30,770,000 (six months ended 30 June 2015: HK\$21,181,000) and the weighted average number of ordinary shares of 1,903,685,690 (six months ended 30 June 2015: 1,891,782,486) in issue during the period.

The Group had no potential dilutive ordinary shares in issue during the six months ended 30 June 2016.

The diluted earnings per share for the six months ended 30 June 2015 is calculated by adjusting the weighted average number of 1,891,782,486 ordinary shares in issue with the weighted average number of 4,203,416 ordinary shares deemed to be issued assuming the exercise of the share options.

Notes to the Condensed Consolidated Financial Statements

8. DIVIDEND

At the annual general meeting held on 2 June 2016, the Company's shareholders approved the distribution of the final dividend for the year ended 31 December 2015 of HK1.0 cent (year ended 31 December 2014: HK1.2 cents) per share which amounted to approximately HK\$19,037,000 (year ended 31 December 2014: HK\$22,844,000).

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2016, the Group acquired items of properties, plant and equipment at costs of HK\$9,924,000 (six months ended 30 June 2015: HK\$8,393,000).

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

Items of properties, plant and equipment with an aggregate net book value of HK\$433,000 (six months ended 30 June 2015: HK\$112,000) were disposed of by the Group during the six months ended 30 June 2016.

10. INVESTMENT PROPERTIES

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Carrying amount at beginning of period/year	569,937	401,980
Additions	557	898
Fair value gains, net	5,453	30,131
Transfer from owner-occupied properties	–	121,160
Transfer from deposits for purchases of properties, and plant and equipment	–	18,627
Exchange realignment	(2,247)	(2,859)
	<hr/> 573,700 <hr/>	<hr/> 569,937 <hr/>
Carrying amount at end of period/year		569,937

The Group's investment properties consist of residential, commercial and industrial properties in Hong Kong and the PRC. The directors of the Company have determined that the investment properties consist of five classes of asset, i.e. commercial and industrial in Hong Kong and residential, commercial and industrial in the PRC, based on the nature, characteristics and risks of each property. The Group's investment properties were revalued on 30 June 2016 based on valuations performed by BMI Appraisals Limited, an independent professionally qualified valuer. The Group's finance director selects an external valuer to be responsible for the external valuation of the Group's properties based on market knowledge, reputation and independence of the external valuer, and whether professional standards are maintained by the external valuer. Fair values of the Group's investment properties are generally derived by using the income capitalisation method or market comparison approach. The Group's finance director has discussion with the external valuer on the valuation assumptions and valuation results when the valuation is performed for interim financial reporting.

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

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

Notes to the Condensed Consolidated Financial Statements

10. INVESTMENT PROPERTIES (continued)

Fair value hierarchy

The following table illustrates how the fair values of the Group's investment properties are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Investment properties held by the Group	Fair value hierarchy	Valuation techniques	Significant unobservable inputs	Range or weighted average	
				30 June 2016	31 December 2015
Commercial properties in Hong Kong	Level 3	Income capitalisation method	Prevailing market rents (per sq.ft. and per month)	HK\$28 to HK\$116	HK\$27 to HK\$118
			Capitalisation rates	2.8% to 3.1%	2.8% to 3.1%
Commercial properties in Mainland China	Level 3	Income capitalisation method	Prevailing market rents (per sq.m. and per month)	RMB145 to RMB160	RMB145 to RMB160
			Capitalisation rates	4.3% to 5%	4.3% to 5%
Industrial properties in Hong Kong	Level 3	Income capitalisation method	Prevailing market rents (per sq.ft. and per month)	HK\$7 to HK\$25	HK\$7 to HK\$25
			Capitalisation rates	3.5% to 8.6%	3.5% to 8.6%
Industrial property in Mainland China	Level 3	Income capitalisation method	Prevailing market rents (per sq.m and per month)	RMB12	RMB12
			Capitalisation rates	8.0%	8.0%
Residential properties in Mainland China	Level 3	Income capitalisation method	Prevailing market rents (per sq.m. and per month)	RMB37	Not applicable
			Capitalisation rates	1.2%	Not applicable
		Market comparison approach	Prevailing market rates (per sq.m.)	Not applicable	RMB35,000 to RMB35,600

During the six months ended 30 June 2016, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (six months ended 30 June 2015: Nil).

Under the income capitalisation method, a significant increase (decrease) in the prevailing market rents in isolation would result in a significant increase (decrease) in the fair value of the investment properties. A significant increase (decrease) in the capitalisation rate in isolation would result in a significant decrease (increase) in the fair value of the investment properties.

Under the market comparison approach, a significant increase (decrease) in the prevailing market rates in isolation would result in a significant increase (decrease) in the fair value of the investment properties.

Notes to the Condensed Consolidated Financial Statements

10. INVESTMENT PROPERTIES (continued)

Fair value hierarchy (continued)

The reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy of each classes of asset is follows:

	Commercial properties in Hong Kong HK\$'000	Commercial properties in Mainland China HK\$'000	Industrial properties in Hong Kong HK\$'000	Industrial property in Mainland China HK\$'000	Residential properties in Mainland China HK\$'000	Total HK\$'000
Carrying amount at 1 January 2016	159,400	34,755	315,510	23,273	36,999	569,937
Additions	–	–	–	–	557	557
Fair value gains, net	1,000	95	2,890	355	1,113	5,453
Exchange realignment	–	(811)	–	(548)	(888)	(2,247)
Carrying amount at 30 June 2016	160,400	34,039	318,400	23,080	37,781	573,700

11. TRADE AND BILLS RECEIVABLES

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

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

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Within three months	259,711	254,316
Over three months and within six months	39,631	41,799
Over six months	48,205	58,245
	347,547	354,360

Notes to the Condensed Consolidated Financial Statements

12. TRADE AND BILLS PAYABLES

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

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Within three months	132,576	127,720
Over three months and within six months	185	925
Over six months	–	11
	132,761	128,656

The trade payables are unsecured, non-interest-bearing and are normally settled within two months. As at 30 June 2016, bills payable with an aggregate carrying amount of HK\$9,993,000 (31 December 2015: HK\$9,251,000) were secured by time deposits of HK\$2,998,000 (31 December 2015: HK\$3,179,000).

13. SHARE OPTION SCHEMES

The 2002 Scheme

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

152,800,000 share options 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, and vested over a period of four years from the grant date, of which 50% of the share options vested immediately on the grant date, 10% of the share options vested on 27 May 2011, 10% of the share options vested on 27 May 2012, 10% of the share options vested on 27 May 2013 and 20% of the share options vested on 27 May 2014. These share options are exercisable at HK\$0.44 per share and must be exercised within five years from the grant date, and if not so exercised, the share options shall lapse. These share options do not confer rights on the holders to dividends or to vote at shareholders’ meetings.

During the six months ended 30 June 2015, 15,280,000 share options were exercised and 122,240,000 share options were lapsed upon the expiry of exercise period of five years from the grant date.

As at 31 December 2015, there was no share options outstanding under the 2002 Scheme.

The 2012 Scheme

The 2012 share option scheme (the “2012 Scheme”) was adopted by the Company on 28 June 2012, pursuant to a resolution passed at the annual general meeting held on the same date. Unless terminated by resolution in general meeting or by the Board, the 2012 Scheme remains valid and effective for the period of 10 years commencing on 28 June 2012, after which period no further options will be issued but, in all other aspects, the provision of the 2012 Scheme shall remain in full force and effect. Further details are set out in the circular of the Company dated 30 April 2012.

The 2012 Scheme will expire on 27 June 2022. During the six months ended 30 June 2016 and 2015, no share options were granted under the 2012 Scheme.

Notes to the Condensed Consolidated Financial Statements

14. CAPITAL COMMITMENTS

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

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Contracted, but not provided for:		
Purchases of land use rights	1,821	1,864
Construction and purchases of items of property, plant and equipment	18,093	23,497
	19,914	25,361

15. RELATED PARTY TRANSACTIONS

(a) Outstanding balance with a related party

The amount due to an associate included in the Group's current liabilities as at 30 June 2016 of HK\$2,800,000 (31 December 2015: HK\$2,800,000) are unsecured, interest-free and repayable with not less than 30 days' prior written notice.

(b) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Short term employee benefits	4,740	4,411
Post-employment benefits	193	193
Total compensation paid/payable to key management personnel	4,933	4,604

Notes to the Condensed Consolidated Financial Statements

16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values and available-for-sale investments which carried at cost less impairment, are as follows:

	Carrying amounts		Fair values	
	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Financial assets				
Structured deposits	<u>134,494</u>	<u>160,549</u>	<u>134,494</u>	<u>160,549</u>
Financial liabilities				
Derivative financial instrument	–	10	–	10
Interest-bearing bank and other borrowings	<u>128,182</u>	<u>205,350</u>	<u>128,094</u>	<u>205,241</u>
	<u>128,182</u>	<u>205,360</u>	<u>128,094</u>	<u>205,251</u>

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

The Group's finance director is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, the finance director analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The audit committee reviews the results of the fair value measurement of financial instruments periodically for interim and annual financial reporting.

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

The fair values of the non-current portion of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank and other borrowings as at 30 June 2016 was assessed to be insignificant.

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

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

Notes to the Condensed Consolidated Financial Statements

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

Below is a summary of significant unobservable inputs to the valuation of structured deposits together with a quantitative sensitivity analysis as at 30 June 2016 and 31 December 2015:

Financial instrument	Valuation technique	Significant unobservable input	Range		Sensitivity of fair value of the input
			30 June 2016	31 December 2015	
Structured deposits	Discounted cash flow method	Expected rate of return	2.9% to 4.1%	2.9% to 4.0%	5% increase (decrease) in expected rate of return would result in increase (decrease) in fair value by HK\$189,000 (HK\$180,000) (31 December 2015: HK\$244,000 (HK\$232,000))
		Discount rate	2.9% to 4.1%	2.9% to 4.0%	5% increase (decrease) in discount rate would result in decrease (increase) in fair value by HK\$50,000 (HK\$47,000) (31 December 2015: HK\$133,000 (HK\$127,000))

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

- Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: fair values measured based on valuation techniques for which the lowest level inputs that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3: fair values measured based on valuation techniques for which the lowest level inputs that is significant to the fair value is unobservable

Notes to the Condensed Consolidated Financial Statements

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

Fair value hierarchy (continued)

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

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
<i>Asset measured at fair value:</i>				
At 30 June 2016				
Structured deposits	–	–	134,494	134,494
At 31 December 2015				
Structured deposits	–	–	160,549	160,549
<i>Liability measured at fair value:</i>				
At 30 June 2016				
Derivative financial instrument	–	–	–	–
At 31 December 2015				
Derivative financial instrument	–	10	–	10

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

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Structured deposits		
Carrying amount at beginning of period/year	160,549	203,037
Purchases	214,453	412,683
Disposals	(239,566)	(453,181)
Gains recognised in the statement of profit or loss	2,011	5,034
Exchange realignment	(2,953)	(7,024)
Carrying amount at end of period/year	134,494	160,549

During the six months ended 30 June 2016, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (six months ended 30 June 2015: Nil).

Notes to the Condensed Consolidated Financial Statements

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

Fair value hierarchy (continued)

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
<i>Liability for which fair value is disclosed:</i>				
At 30 June 2016				
Interest-bearing bank and other borrowings	–	–	128,094	128,094
At 31 December 2015				
Interest-bearing bank and other borrowings	–	–	205,241	205,241

17. APPROVAL OF THE INTERIM FINANCIAL REPORT

These unaudited condensed consolidated interim financial statements were approved and authorised for issue by the Board on 25 August 2016.

Management Discussion and Analysis

BUSINESS REVIEW

In the first half of 2016, the sluggish European economy and the recent Brexit event have disrupted the global economic landscape, causing turmoil in global equity markets and foreign currency markets, which further aggravated the global economic recovery. Mainland China's economy remained relatively stable with a slower pace of development for the first half of 2016. According to the data published by the National Bureau of Statistics of China, Mainland China's GDP grew by 6.7% for the first half of 2016, which hit the growth target set at the beginning of the year.

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

The Group recorded a profit attributable to the shareholders of the parent company of approximately HK\$30.77 million for the six months ended 30 June 2016 as compared with that of approximately HK\$21.18 million for the last corresponding period. The increase in the profit attributable to the shareholders of the parent company was mainly due to the increase in gross profit of the paint business.

The Group recorded revenue of approximately HK\$468.45 million representing a decrease of 7.1% as compared with last corresponding period. The decrease in the Group's revenue was mainly due to the decrease in revenue from the trading of iron and steel products. The Group's gross profit for the period increased by 14.1% as compared with that of last corresponding period to approximately HK\$167.15 million. The increase in the Group's gross profit was mainly due to the improvement of gross profit margin of the paint business during the period under review.

The manufacture and sale of paint products continued to be the core business of the Group and contributed approximately 82.9% to the Group's total revenue for the period under review.

Paint Products

Revenue for the period amounted to approximately HK\$388.44 million representing an increase of 2.4% as compared with last corresponding period. The increase in sales of paint products was mainly due to the increase in demand of paint products. As compared with last corresponding period, the gross profit margin improved by 8.4% to 37.9%, resulting from the drop in raw material costs and the strict control on production overheads. Segment profit amounted to approximately HK\$20.87 million, representing an increase of approximately 302.7% as compared with that of approximately HK\$5.18 million in last corresponding period.

Property Investment

Revenue for the period amounted to approximately HK\$17.20 million as compared with that of approximately HK\$10.19 million in last corresponding period. Segment profit amounted to approximately HK\$17.93 million as compared with that of approximately HK\$23.92 million in last corresponding period. The decrease in segment profit for the period was mainly due to the decrease in the net fair value gains on the investment properties of approximately HK\$4.52 million. The net increase in fair values of the Group's investment properties for the period was approximately HK\$5.45 million while the increase in fair values for the last corresponding period was approximately HK\$9.97 million. This reflected the general market conditions of the commercial and industrial investment property markets in Hong Kong and Mainland China for the period under review.

Management Discussion and Analysis

BUSINESS REVIEW (continued)

Property Investment (continued)

The Group is continuously considering the feasibility to broaden the portfolio of the Group's property investment by acquiring additional properties in Hong Kong and/or the PRC with stable income and capital gain potential. In April 2016, the Group entered into a pre-sale contract with an independent property developer for the acquisition of a commercial property in Beijing, the PRC at the consideration of approximately RMB33.56 million, which was financed by internal resources of the Group. The property is expected to be handed over to the Group on 31 October 2016. The Group intends to hold the property for investment purpose and lease out the property for rental income purpose.

The review application under Section 17 of the Town Planning Ordinance ("TPO") to seek the Town Planning Board's ("TPB") approval for a proposed columbarium on the Group's existing land located in Au Tau, Yuen Long, Hong Kong was rejected in December 2014. The Group had lodged an appeal to the Appeal Board Panel (Town Planning) under Section 17B of TPO in February 2015 and the appeal is in progress.

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

Iron and Steel Trading and Related Investments

Revenue for the period amounted to approximately HK\$62.81 million as compared with that of approximately HK\$114.52 million in last corresponding period. The decrease in revenue was mainly due to the over-supply of tin plate products as a result of excess production capacity in the PRC. Despite of the significant drop in the revenue, the improvement in gross profit margin together with the increase in share of profit from an associate, the segment profit for the period dropped slightly to approximately HK\$2.13 million as compared with that of approximately HK\$2.40 million in last corresponding period.

Available-for-sale Investments

The Group has an effective interest of 11.9% in the cemetery project situated in Sihui, Guangdong Province, the PRC. The principal activities of which are the development, construction, management and operation of a cemetery. The main types of products of the cemetery are outdoor grave lots, ordinary columbarium niches and luxury columbarium niches. Guangzhou, Guangdong Province, the PRC is a major target market for the cemetery business. Two sales offices were recently established in Guangzhou, making a total of six sales offices established in Guangzhou. The establishment of sales offices together with the implementation of a promotion campaign in Guangzhou can enhance the awareness and improve sales in long run. In the development aspect, twelve graveyards and a mausoleum were constructed to provide grave plots and niches for sales.

Management Discussion and Analysis

FINANCIAL REVIEW

Liquidity and Financial Information

The Group's business operation is generally financed by its internal funding and bank borrowings. The cash and cash equivalents amounted to approximately HK\$197.05 million as at 30 June 2016 as compared with approximately HK\$277.39 million as at 31 December 2015. The total cash and bank balances, including cash and cash equivalents, structured deposits, pledged deposits and restricted cash, amounted to approximately HK\$404.63 million as at 30 June 2016 as compared with approximately HK\$512.73 million as at 31 December 2015. Bank and other borrowings amounted to approximately HK\$128.18 million as at 30 June 2016 as compared with approximately HK\$205.35 million as at 31 December 2015. 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 2016, approximately HK\$115.01 million (89.7%) is payable within one year, approximately HK\$6.01 million (4.7%) is payable in the second year and the remaining balance of approximately HK\$7.16 million (5.6%) is payable in the third to fifth years.

The Group's cash, bank balances and bank and other borrowings are mainly denominated in Hong Kong Dollars and Renminbi. The Group's results can be affected by movements in the exchange rate between Hong Kong Dollars and Renminbi. The Group did not have any hedging instrument to hedge the foreign currency exposure as at 30 June 2016. However, the Group will continue to monitor its foreign exchange exposure and requirements closely and will arrange hedging facilities when necessary.

Gearing ratio of the Group which is expressed as a percentage of total bank and other borrowings to adjusted capital (as defined below) was 10.7% as at 30 June 2016 as compared with 17.1% as at 31 December 2015. Liquidity ratio of the Group which is expressed as a percentage of current assets to current liabilities was 2.11 times as at 30 June 2016 as compared with 2.01 times as at 31 December 2015.

Equity and Net Asset Value

Shareholders' funds of the Group as at 30 June 2016 was approximately HK\$1,455.13 million as compared with approximately HK\$1,466.04 million as at 31 December 2015. Adjusted capital of the Group, being shareholders' fund less the unrealised leasehold land and building revaluation reserve and investment property revaluation reserve, as at 30 June 2016 was approximately HK\$1,192.51 million as compared with approximately HK\$1,203.41 million as at 31 December 2015. Net asset value per share as at 30 June 2016 and 31 December 2015 was approximately HK\$0.77.

Contingent Liabilities

Guarantees issued by the Company to bankers to secure general banking facilities granted to various subsidiaries outstanding as at 30 June 2016 amounted to approximately HK\$138.11 million as compared with approximately HK\$214.53 million as at 31 December 2015.

Pledge of Assets

At 30 June 2016, certain land and buildings, investment properties, restricted cash and cash deposits with aggregate net book value of approximately HK\$638.52 million (31 December 2015: HK\$637.84 million) were pledged to banks as collaterals for bank and other borrowings. At 30 June 2016, total outstanding secured bank and other borrowings amounted to approximately HK\$128.18 million as compared with approximately HK\$196.58 million as at 31 December 2015.

Management Discussion and Analysis

STAFF

As at 30 June 2016, the Group's staff headcount was 1,060 (30 June 2015: 1,199). Staff costs (excluding directors' emoluments) amounted to approximately HK\$90.33 million for the period under review as compared with approximately HK\$83.48 million for the last corresponding period. The Group has a comprehensive and competitive staff remuneration and benefits system which is formulated on the performance of individual employees.

OUTLOOK

Looking forward to the second half of 2016, the Brexit event added further uncertainties to the recovery of global economy. The challenges are unprecedented while opportunities exist. In Mainland China, the government's continuous effort on the massive financial stimulus package unleashed appears to support the economic growth in the coming years. The monetary policy still maintained a moderate-to-loose level while the interest rate as a whole experienced a trend of decline. Recent economic data, like improving infrastructure investment and the rebound in the composite purchasing managers' index suggested that the economy is on the verge of stabilization.

In 2016, the Chinese Government plans to renovate more than 6 million units of housing under the shanty area renovation plan and to implement the two-child policy and the National New-type Urbanization Plan. It is expected that the economy and the property market of Mainland China will remain stable.

The increase in urban population as well as the ongoing improvement in household disposable income and living standards are expected to reinforce the demand for real estate and therefore give a stable demand for paint products. The Group believes that our paint operation will benefit from the reforms.

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

Mainland China's real estate market continued to recover during the first half of 2016, especially in the first-tier cities. The supply and demand in the real estate market showed signs of adjustment under the support of favourable policies. The Group will continue to monitor the commercial and residential property markets in Hong Kong and Mainland China closely and consider the feasibility to acquire additional properties in order to diversify and broaden the investment portfolio of the Group.

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

Other Information

INTERIM DIVIDEND

The directors of the Company have resolved not to declare an interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the period under review.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2016, the interests of the directors of the Company in the shares and underlying shares of the Company as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO") were as follows:

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

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

Save as disclosed above, as at 30 June 2016, none of the directors or chief executives of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO. Nor any of the directors and the chief executives of the Company had any interest in, or had been granted any right to subscribe for the securities of the Company and its associated corporations (within the meaning of Part XV of the SFO) or had exercised any such right during the period under review.

SHARE OPTIONS

The Company's existing share option scheme was adopted on 28 June 2012 (the "Scheme"). From the date of adoption of the Scheme up to the period ended 30 June 2016, no share option has been granted under the Scheme.

Other Information

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 30 June 2016, 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	Notes	Capacity	Number of shares	Number of underlying shares (unlisted and physically settled equity derivative)	Percentage of issued share capital
10% or more of issued share capital					
Prime Surplus Limited	1	Beneficial owner	498,053,620	–	26.16%
Ho Mei Po, Mabel	2	Interest of spouse	498,053,620	–	26.16%
Chinaculture.com Limited	3	Beneficial owner	322,349,655	–	16.93%
Chuang's China Investments Limited	3	Interest of controlled corporation	322,349,655	–	16.93%
Profit Stability Investments Limited	3	Interest of controlled corporations	322,349,655	–	16.93%
Chuang's Consortium International Limited	3	Interest of controlled corporations	322,349,655	–	16.93%
Evergain Holdings Limited	3	Interest of controlled corporations	322,349,655	–	16.93%
Chong Shaw Swee, Alan	3	Interest of controlled corporations	322,349,655	–	16.93%
Chong Ho Pik Yu	3	Interest of spouse	322,349,655	–	16.93%
Below 10% of issued share capital					
Broadsino Investment Company Limited	4	Beneficial owner	98,000,000	–	5.15%
Rapid Growth Ltd.	5	Trustee	–	98,000,000	5.15%
Polygold Holdings Limited	5	Interest of controlled corporation	–	98,000,000	5.15%
Xie Jian Ming	5	Interest of controlled corporations	–	98,000,000	5.15%

Other Information

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

Notes:

- (1) The 498,053,620 shares were beneficially owned by Prime Surplus Limited. This interest is duplicated in the interests of Mr. Tsui Ho Chuen, Philip as disclosed in the section headed "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures" above.
- (2) Ms. Ho Mei Po, Mabel is the wife of Mr. Tsui Ho Chuen, Philip and was taken to be interested in 498,053,620 shares in which her spouse was interested under the SFO.
- (3) The references to the 322,349,655 shares relate to the same block of 322,349,655 shares beneficially interested by Chinaculture.com Limited.

Chinaculture.com Limited was a wholly-owned subsidiary of Chuang's China Investments Limited, which in turn was a 56.00% owned subsidiary of Profit Stability Investments Limited. Chuang's Consortium International Limited held 100% equity interest in Profit Stability Investments Limited. Evergain Holdings Limited was interested in 43.09% of the issued share capital of Chuang's Consortium International Limited. Mr. Chong Shaw Swee, Alan was interested in 100% of the issued share capital of Evergain Holdings Limited. Mrs. Chong Ho Pik Yu is the wife of Mr. Chong Shaw Swee, Alan.

Chuang's China Investments Limited, Profit Stability Investments Limited, Chuang's Consortium International Limited, Evergain Holdings Limited, Mr. Chong Shaw Swee, Alan and Mrs. Chong Ho Pik Yu were all deemed under the SFO to be interested in these 322,349,655 shares which were owned by Chinaculture.com Limited.

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

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

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

Save as disclosed above, the Company has not been notified by any person (other than the directors of the Company) who had interests or short positions in the shares or underlying shares of the Company as at 30 June 2016 which were required to be disclosed to the Company under Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Other Information

CORPORATE GOVERNANCE

Throughout the six months ended 30 June 2016, the Company has complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules, except the following:

- (1) The non-executive directors of the Company and the independent non-executive directors of the Company are not appointed for a specific term. According to the Company's bye-laws, they are subject to the requirement to retire by rotation at least once every three years. The Board considers that the requirement has the same effect of accomplishing the same objective as a specific term of appointment.
- (2) The Company does not have a nomination committee as the role and the function of such committee are performed by the full Board. The Board collectively reviews the structure, size and composition (including the skills, knowledge and experience) of the Board and the appointment of any new director. Also, the Board as a whole is responsible for approving the succession plan for the directors, including the chairman and the managing director.

CHANGE IN INFORMATION OF DIRECTORS

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

- (1) The monthly salary of Mr. Chong Chi Kwan has been increased from HK\$75,000 to HK\$100,000 with effect from 30 June 2016.
- (2) Bonus equivalent to 50%, 100% and 200% of the respective monthly salary to Mr. Lam Ting Ball, Paul, Mr. Tsui Ho Chuen, Philip and Mr. Chong Chi Kwan was approved to be paid in September 2016.
- (3) Mr. Zhang Xiaojing resigned as an independent non-executive director of Jian ePayment Systems Limited with effect from 20 June 2016.

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in the Model Code as contained in Appendix 10 to the Listing Rules. After specific enquiry by the Company, all directors confirmed that they have complied with the required standard set out in the Model Code and the Company's own code during the six months ended 30 June 2016.

On behalf of the Board
Lam Ting Ball, Paul
Chairman

Hong Kong, 25 August 2016