



**CNT GROUP LIMITED**  
**(北海集團有限公司)**  
*(Incorporated in Bermuda with limited liability)*  
**(Stock Code: 701)**

**ANNOUNCEMENT OF 2007 INTERIM RESULTS**

**INTERIM RESULTS**

The directors of CNT Group Limited (the “Company”) present the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2007 together with comparative amounts for the corresponding period in 2006. These condensed consolidated financial statements have not been audited, but have been reviewed by the Company’s audit committee.

**CONDENSED CONSOLIDATED INCOME STATEMENT**

		<b>Six months ended 30 June</b>	
		<b>2007</b>	<b>2006</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>Notes</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
REVENUE		<b>286,693</b>	253,007
Cost of sales		<b>(199,515)</b>	(178,629)
Gross profit		<b>87,178</b>	74,378
Other income and gains	3	<b>8,603</b>	9,405
Selling and distribution costs		<b>(44,944)</b>	(31,221)
Administrative expenses		<b>(53,706)</b>	(53,345)
Other expenses, net		<b>(274)</b>	(964)
Finance costs	4	<b>(2,361)</b>	(3,877)
Share of profits of associates		<b>375</b>	816
LOSS BEFORE TAX	5	<b>(5,129)</b>	(4,808)
Tax	6	<b>(2,671)</b>	(2,179)
LOSS FOR THE PERIOD		<b><u>(7,800)</u></b>	<u>(6,987)</u>
ATTRIBUTABLE TO:			
Equity holders of the parent		<b>(7,747)</b>	(6,902)
Minority interests		<b>(53)</b>	(85)
		<b><u>(7,800)</u></b>	<u>(6,987)</u>
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	7		
Basic		<b><u>0.50 cents</u></b>	<u>0.45 cents</u>
Diluted		<b><u>N/A</u></b>	<u>N/A</u>

## CONDENSED CONSOLIDATED BALANCE SHEET

		30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		225,285	226,404
Investment properties		113,900	113,900
Property under development		26,823	26,800
Prepaid land premium		1,591	1,567
Interests in associates		12,794	17,447
Available-for-sale investments		167,087	167,087
Deposits for purchase of properties		62,989	46,000
Deferred tax asset		6	6
Pension scheme asset		<u>1,217</u>	<u>1,217</u>
Total non-current assets		<u>611,692</u>	<u>600,428</u>
<b>CURRENT ASSETS</b>			
Inventories		62,957	52,287
Trade receivables	8	97,719	104,707
Prepayments, deposits and other receivables		20,322	18,000
Cash and cash equivalents		<u>128,133</u>	<u>128,459</u>
Total current assets		<u>309,131</u>	<u>303,453</u>
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	9	87,178	77,564
Other payables and accruals		60,746	65,126
Interest-bearing bank and other borrowings		44,790	40,773
Dividend payable		15,395	—
Tax payable		<u>2,365</u>	<u>933</u>
Total current liabilities		<u>210,474</u>	<u>184,396</u>
<b>NET CURRENT ASSETS</b>		<u>98,657</u>	<u>119,057</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>710,349</u>	<u>719,485</u>

	<b>30 June 2007 (Unaudited) HK\$'000</b>	31 December 2006 (Audited) HK\$'000
<b>NON-CURRENT LIABILITIES</b>		
Interest-bearing bank and other borrowings	<b>45,877</b>	32,667
Deferred tax liabilities	<u><b>10,347</b></u>	<u>10,347</u>
Total non-current liabilities	<u><b>56,224</b></u>	<u>43,014</u>
 Net assets	 <u><b>654,125</b></u>	 <u>676,471</u>
<b>EQUITY</b>		
Equity attributable to equity holders of the parent		
Issued capital	<b>153,947</b>	153,947
Reserves	<b>493,430</b>	500,430
Proposed conditional final dividend	<u>—</u>	<u>15,395</u>
	<b>647,377</b>	669,772
 Minority interests	 <u><b>6,748</b></u>	 <u>6,699</u>
 Total equity	 <u><b>654,125</b></u>	 <u>676,471</u>

## Notes to Condensed Consolidated Financial Statements

### 1. Accounting policies

The 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 condensed consolidated interim financial statements are the same as those used in the annual financial statements for the year ended 31 December 2006, except in relation to the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”, which also include HKASs and Hong Kong (International Financial Reporting Interpretations Committee) - Interpretations (“HK(IFRIC)-Int”)) that are adopted for the first time for the current period’s condensed consolidated interim financial statements:

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 <i>Financial Reporting in Hyperinflationary Economies</i>
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

The adoption of the above new and revised HKFRSs has had no material impact on the Group’s condensed consolidated interim financial statements.

The Group has not early applied any HKFRSs that have been issued but not yet effective in these condensed consolidated interim financial statements.

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 2006.

### 2. Segment information

The Group’s operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group’s business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

- (a) the paint products segment engages in the manufacturing and sale of paint products;
- (b) the property investment segment comprises:
  - (i) the investment in residential and commercial premises for their rental income potential;

- (ii) the development and sale of properties; and
- (c) the “others” segment comprises, principally, the trading of steel products and securities trading and investment.

Intersegment sales and transfers are transacted at mutually agreed terms.

The following table presents revenue and profit/(loss) for the Group’s business segments for the six months ended 30 June 2007 and 2006.

	Paint products		Property investment		Others		Eliminations		Consolidated	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Segment revenue:										
Sales to external customers	261,708	233,238	2,421	2,969	22,564	16,800	—	—	286,693	253,007
Intersegment sales	—	—	2,605	2,605	—	—	(2,605)	(2,605)	—	—
Other income and gains	1,328	3,815	1,262	185	5,240	4,648	—	—	7,830	8,648
Total	<u>263,036</u>	<u>237,053</u>	<u>6,288</u>	<u>5,759</u>	<u>27,804</u>	<u>21,448</u>	<u>(2,605)</u>	<u>(2,605)</u>	<u>294,523</u>	<u>261,655</u>
Segment results	<u>5,769</u>	<u>9,339</u>	<u>2,205</u>	<u>275</u>	<u>3,884</u>	<u>3,055</u>	<u>3,153</u>	<u>3,147</u>	15,011	15,816
Interest income									773	757
Unallocated expenses									(18,927)	(18,320)
Finance costs									(2,361)	(3,877)
Share of profits of associates									375	816
Loss before tax									(5,129)	(4,808)
Tax									(2,671)	(2,179)
Loss for the period									<u>(7,800)</u>	<u>(6,987)</u>

### 3. Other income and gains

	Six months ended 30 June	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Bank interest income	773	757
Services fee income	7	141
Commission income	2,915	3,319
Others	<u>4,908</u>	<u>5,188</u>
	<u>8,603</u>	<u>9,405</u>

4. **Finance costs**

	<b>Six months ended 30 June</b>	
	<b>2007</b>	<b>2006</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interest on bank loans wholly repayable within five years	<b>1,406</b>	2,880
Interest on other loans	<b>929</b>	973
Interest on finance leases	<b>26</b>	24
	<u><b>2,361</b></u>	<u>3,877</u>

5. **Loss before tax**

Loss before tax is arrived at after charging/(crediting):

	<b>Six months ended 30 June</b>	
	<b>2007</b>	<b>2006</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Cost of inventories sold	<b>199,515</b>	178,629
Depreciation	<b>7,105</b>	6,210
(Write-back of impairment)/impairment of trade receivables	<b>(29)</b>	1,956
(Write-back)/write-down of inventories to net realisable value	<u><b>(1,085)</b></u>	<u>2,414</u>

6. **Tax**

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) 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, based on existing legislation, interpretations and practices in respect thereof.

	<b>Six months ended 30 June</b>	
	<b>2007</b>	<b>2006</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Current - Hong Kong	<b>368</b>	449
Current - Elsewhere	<u><b>2,303</b></u>	<u>1,730</u>
Tax charge for the period	<u><b>2,671</b></u>	<u>2,179</u>

The share of tax attributable to associates amounting to HK\$80,000 (2006: HK\$170,000) is included in "Share of profits of associates" on the face of the condensed consolidated income statement.

## 7. Loss per share attributable to ordinary equity holders of the parent

The calculation of basic loss per share amounts is based on the loss for the period attributable to ordinary equity holders of the parent of HK\$7,747,000 (2006: HK\$6,902,000) and the weighted average number of 1,539,472,000 (2006: 1,538,253,000) ordinary shares in issue during the period.

No diluted loss per share amount is presented for the six months ended 30 June 2007 as no diluting events existed during the period.

No diluted loss per share amount was presented for the six months ended 30 June 2006 as the potential ordinary shares outstanding during the period had no dilutive effect on the basic loss per share for the period.

## 8. Trade 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 outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the balance sheet date, based on payment due date and net of impairment, is as follows:

	<b>30 June 2007 (Unaudited) HK\$'000</b>	31 December 2006 (Audited) HK\$'000
Within three months	<b>90,859</b>	96,081
Four to six months	<b>3,598</b>	4,723
Over six months	<b><u>3,262</u></b>	<u>3,903</u>
	<b><u><u>97,719</u></u></b>	<u><u>104,707</u></u>

## 9. Trade and bills payables

An aged analysis of trade and bills payables as at the balance sheet date, based on invoice date, is as follows:

	<b>30 June</b> <b>2007</b> <b>(Unaudited)</b> <b>HK\$'000</b>	31 December 2006 (Audited) HK\$'000
Within three months	<b>82,569</b>	71,582
Four to six months	<b>2,823</b>	5,207
Over six months	<u><b>1,786</b></u>	<u>775</u>
	<u><b>87,178</b></u>	<u>77,564</u>

The trade payables are non-interest-bearing and are normally settled on 90-day terms.

## 10. Post balance sheet event

On 16 August 2007, the Group entered into a sale and purchase agreement with an independent third party to dispose of its entire interest in and shareholder's loan to Luck Advance Investments Limited, an indirect wholly-owned subsidiary of the Company which, through its wholly owned subsidiary, is engaged in property investment in Futian, Shenzhen, for a cash consideration of HK\$25,000,000. The Group has an estimated gain (before deduction of expenses) of approximately HK\$3,000,000 through this disposal.

## INTERIM DIVIDEND

The directors of the Company have resolved not to declare any interim dividend for the year ending 31 December 2007 (2006: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

During the period under review, the Group continued to have improvement both in terms of revenue and gross profit which was mainly contributed by the improved performance of our paint operation. However, the business environment remains challenging. The market competition is severe, raw material prices remain at high levels, inflation rate in the PRC is rising and operating costs in the PRC continue to rise as a consequence of the upward pressure on wages and the tightening of the safety and environmental protection regulations. Facing the challenges, the Group will continue to rationalize its paint operation in order to improve its operational efficiency. Besides, additional selling and advertising expenses were incurred during the period to promote our paint products which will benefit the Group as a whole in the future.



The Group incurred a loss attributable to the equity holders of the parent company of approximately HK\$7.75 million for the six months ended 30 June 2007, as compared with that of approximately HK\$6.90 million for the last corresponding period. Despite the increase in revenue and gross profit, additional selling and distribution expenses were incurred resulting in an increase in the Group's loss during the period under review.

The Group's revenue for the period amounted to approximately HK\$286.69 million, representing an increase of approximately 13.3% when compared with that of last period. The increase was mainly due to the increase in revenue from paint operation. The Group's gross profit for the period was increased by 17.2% when compared with that of last period to approximately HK\$87.18 million. The manufacturing and sale of paint products continued to be the core business of the Group. Its weight in the total revenue was approximately 91.3% for the period under review.

### **Paint products**

Revenue for the period amounted to approximately HK\$261.71 million, representing an increase of approximately 12.2% when compared with that of last period. The paint business continued to have steady growth in the PRC. Relatively, operating profit for the period amounted to approximately HK\$5.77 million when compared with that of approximately HK\$9.34 million last period. The reduction of operating profit was mainly due to the increase in selling and advertising expenses during the period under review. The increase in selling and advertising expenses aimed at promoting our paint business, especially new products, for the long term benefits of the Group.

### **Property investment**

Revenue for the period amounted to approximately HK\$2.42 million, representing a decrease of approximately 18.5% when compared with that of last period. Operating profit amounted to approximately HK\$2.21 million, compared with that of approximately HK\$0.28 million last period.

During the period under review, the Group has entered into a sale and purchase agreement to acquire a luxury residential house in "The Vineyard" at a consideration of approximately HK\$36.48 million and the transaction will be completed in the second half of the year. The Group intends to hold it as a long term investment. Subsequent to the period under review, the Group has entered into a sale and purchase agreement to dispose levels 3 and 4 of Xinruike Building in Futian Bonded Zone, Shenzhen, the PRC, for cash consideration of HK\$25.00 million and the transaction is expected to complete in the last quarter of the year. Through the disposal, the Group has an estimated gain (before deduction of expenses) of approximately HK\$3.00 million.

## **Others**

### ***Iron and steel trading***

Revenue for the period amounted to approximately HK\$22.56 million, representing an increase of approximately 34.3% when compared with that of last period. Operating profit for the period amounted to approximately HK\$2.06 million, representing a decrease of approximately 20.2% when compared with that of last period. Despite the increase in revenue, the reduction in commission income received during the period resulting in a decrease in the overall operating profit during the period under review.

### **Available-for-sale investments**

#### ***Cemetery project***

The Group has an effective 11.5% interest in the cemetery project situated in Si Hui City, Guangdong Province, the PRC. The principal activities of which are the development and operation of a cemetery garden. The main types of products for the cemetery are outdoor grave lots, ordinary columbarium niches and luxury columbarium niches. Development work of first 100 mu area (approximately 66,600 m<sup>2</sup>) in relation to the initial stage of the development has been completed with an entrance square, a sales and administration building, four graveyards and a mausoleum have been built. Sales offices have been set up of which two in the PRC and one in Hong Kong for marketing purpose.

## **FINANCIAL REVIEW**

### **Liquidity and financial information**

The Group's business operation is generally financed by its internal funding and bank borrowings. Cash and cash equivalents amounted to approximately HK\$128.13 million as at 30 June 2007 compared with approximately HK\$128.46 million as at 31 December 2006. Bank and other borrowings amounted to approximately HK\$90.67 million as at 30 June 2007 compared with approximately HK\$73.44 million as at 31 December 2006. 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 2007, approximately HK\$44.79 million (49.4%) is payable within one year, approximately HK\$8.16 million (9.0%) is payable in the second year, approximately HK\$15.79 million (17.4%) is payable in the third to fifth years and the remaining balance of HK\$21.93 million (24.2%) is payable beyond the fifth year.

The Group's bank and other borrowings were mainly in HK\$ and RMB and hence the risk of currency exposure was insignificant.

Gearing ratio of the Group which is expressed as a percentage of total bank and other borrowings to shareholders' funds was 14.0% as at 30 June 2007 compared with 11.0% as at 31 December 2006. Liquidity ratio of the Group which is expressed as a percentage of current assets to current liabilities was 1.47 times as at 30 June 2007 compared with 1.65 times as at 31 December 2006.

### **Equity and net asset value**

During the period under review, the proposed reduction of the share premium account and the capital redemption reserve account of the Company was approved by the shareholders. Amounts of approximately HK\$701.69 million standing to the credit of the share premium account and approximately HK\$6.17 million standing to the credit of the capital redemption reserve account of the Company were being cancelled accordingly. The aggregate amount of the credit arising from the cancellations of approximately HK\$707.86 million was transferred to the contributed surplus account of the Company, out of which an amount of approximately HK\$562.96 million was utilized to set off against the accumulated losses of the Company as at 31 December 2006.

During the period under review, the proposed declaration of final dividend of HK1 cent per share for the year ended 31 December 2006 by way of distribution out of the contributed surplus account of the Company was also approved by the shareholders. An amount of approximately HK\$15.40 million was transferred from the equity section to current liabilities of the Company accordingly.

Shareholders' funds of the Group as at 30 June 2007 was approximately HK\$647.38 million compared with approximately HK\$669.77 million as at 31 December 2006. Net asset value per share as at 30 June 2007 was HK\$0.42 compared with HK\$0.44 as at 31 December 2006.

### **Contingent liabilities**

Guarantees issued by the Company to bankers to secure general banking facilities granted to various subsidiaries outstanding as at 30 June 2007 amounted to approximately HK\$50.30 million compared with approximately HK\$40.16 million as at 31 December 2006.

## **Pledge of assets**

At 30 June 2007, leasehold land and buildings and investment properties with aggregate net book value of approximately HK\$259.04 million (31 December 2006: HK\$261.98 million) were pledged to banks as collaterals for general banking facilities. At 30 June 2007, total outstanding secured bank and other borrowings amounted to approximately HK\$86.40 million as compared with approximately HK\$60.16 million as at 31 December 2006.

## **STAFF**

As at 30 June 2007, the Group's staff headcount was 1,093 (30 June 2006 : 1,119). Staff costs (excluding directors' emoluments) amounted to approximately HK\$39.90 million for the period under review as compared with approximately HK\$39.87 million for the last period. The Group has a comprehensive and competitive staff remuneration and benefits system which is formulated on the performance of individual employee. In addition, the Group has also adopted a share option scheme that provides incentives to directors and other eligible persons.

## **OUTLOOK**

Looking ahead, we expect the business environment in the second half year of 2007 will still be challenging and volatile. The impacts on the global economy, as caused by subprime mortgage crisis in the U.S. and carry trade, are more severe than generally expected. This will inevitably hinder the growth of the consumer market in the U.S. as well as the global economy. On the other hand, the recent increase in interest rates and the reduction of VAT refunds on certain export goods of the PRC also increases the costs of our paint products. Due to keen market competition, we can only able to pass some of the costs increase to our customers. Despite the difficulties around, we expect the economy of the PRC will remain bullish with its growing consumer buying power continue to support its economic growth, which the Group will benefit from. The Group will continue to expand its paint operation in the PRC and devote its commitment to produce high quality green and safe paint products.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES**

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

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company has complied with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) for the six months ended 30 June 2007, except that 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 once every three years.

## **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 2007 or during the period from their appointment to 30 June 2007 (as for the directors appointed during the period under review).

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

Hong Kong, 17 September 2007

*The board of directors of the Company as at the date of this announcement comprises Messrs. Tsui Tsin Tong, Lam Ting Ball, Paul, Tsui Ho Chuen, Philip, Tsui Yam Tong, Terry and Wong Chi Keung, Alvin as executive directors; Messrs. Hung Ting Ho, Richard, Zhang Yulin and Ko Sheung Chi as non-executive directors; and Sir David Akers-Jones, Messrs. Danny T Wong, Chan Wa Shek and Dr. Steven Chow as independent non-executive directors.*