



CNT GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code : 701)

**INTERIM
REPORT**

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INTERIM RESULTS

The board of directors of CNT Group Limited (the “Company”) presents the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2008 together with comparative amounts for the corresponding period in 2007. These condensed consolidated financial statements have not been audited, but have been reviewed by the Company’s audit committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 June	
		2008	2007
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
REVENUE		388,676	286,693
Cost of sales		(290,676)	(199,515)
Gross profit		98,000	87,178
Other income and gains	3	9,749	8,603
Selling and distribution costs		(52,362)	(44,944)
General and administrative expenses		(54,782)	(53,706)
Other expenses		(166)	(274)
Finance costs	4	(2,882)	(2,361)
Share of profit of an associate		410	375
LOSS BEFORE TAX	5	(2,033)	(5,129)
Tax	6	(3,293)	(2,671)
LOSS FOR THE PERIOD		(5,326)	(7,800)

CONDENSED CONSOLIDATED INCOME STATEMENT (continued)

		Six months ended 30 June	
		2008	2007
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
ATTRIBUTABLE TO:			
Equity holders of the parent		(5,211)	(7,747)
Minority interest		(115)	(53)
		(5,326)	(7,800)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
	7		
Basic		0.33 cents	0.50 cents
Diluted		N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

	30 June 2008 (Unaudited) Notes	31 December 2007 (Audited)
	HK\$'000	HK\$'000
NON-CURRENT ASSETS		
Property, plant and equipment	274,418	262,225
Investment properties	129,700	101,700
Properties under development	46,207	74,000
Prepaid land premiums	19,936	16,766
Interests in associates	3,528	1,767
Available-for-sale investments	167,077	167,077
Deposits for purchases of properties	10,482	6,757
Long term receivable	1,017	1,212
Deferred tax asset	6	6
Net pension scheme assets	1,740	1,740
Total non-current assets	654,111	633,250
CURRENT ASSETS		
Inventories	95,411	65,901
Trade receivables	134,710	106,508
Prepayments, deposits and other receivables	16,751	13,681
Equity investment at fair value through profit or loss	108	119
Pledged deposits	2,875	14,238
Cash and cash equivalents	135,444	157,064
Total current assets	385,299	357,511

CONDENSED CONSOLIDATED BALANCE SHEET (continued)

		30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
	Notes		
CURRENT LIABILITIES			
Trade and bills payables	9	122,603	104,098
Other payables and accruals		73,884	78,097
Interest-bearing bank and other borrowings		68,284	38,195
Tax payable		6,917	6,710
Total current liabilities		271,688	227,100
NET CURRENT ASSETS			
		113,611	130,411
TOTAL ASSETS LESS CURRENT LIABILITIES			
		767,722	763,661
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		61,746	64,776
Deferred tax liabilities		10,619	10,619
Deferred income		4,918	4,750
Total non-current liabilities		77,283	80,145
Net assets		690,439	683,516
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital		157,367	157,367
Reserves		529,326	522,517
		686,693	679,884
Minority interest		3,746	3,632
Total equity		690,439	683,516

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to equity holders of the parent

	Issued share capital (Unaudited) HK\$'000	Share premium account (Unaudited) HK\$'000	Capital redemption reserve (Unaudited) HK\$'000	Capital reserve (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 fund** (Unaudited) HK\$'000	Retained earnings/ losses (Unaudited) HK\$'000	Proposed conditional dividend (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
At 1 January 2008	157,367	6,635	—	377,677	41,381	13,557	10,144	(2,335)	28,866	46,592	—	679,884
Exchange realignment	—	—	—	—	—	—	—	12,020	—	—	—	12,249
Total income for the period recognised directly in equity	—	—	—	—	—	—	—	12,020	—	—	—	12,249
Loss for the period	—	—	—	—	—	—	—	—	—	(5,211)	—	(5,326)
Total income and expense for the period	—	—	—	—	—	—	—	12,020	—	(5,211)	—	6,809
At 30 June 2008	157,367	6,635#	—#	377,677#	41,381#	13,557#	10,144#	9,685#	28,866#	41,381#	—	690,439

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

		Attributable to equity holders of the parent												
		Leasehold												
		land and building revaluation reserve	Investment property revaluation reserve ^a	General reserve	Exchange fluctuation reserve	Reserve fund ^{**}	Retained earnings/(accumulated losses)	Proposed conditional dividend	Total	Minority interest	Total equity			
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)			
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000			
At 1 January 2007	153,947	701,691	6,171	232,773	41,281	13,557	10,144	(5,485)	28,866	528,668	15,395	669,772	6,639	676,471
Exchange realignment	-	-	-	-	-	-	-	747	-	-	-	747	102	849
Total income for the period recognised directly in equity	-	-	-	-	-	-	-	747	-	-	-	747	102	849
Loss for the period	-	-	-	-	-	-	-	-	-	(7,747)	-	(7,747)	(53)	(7,800)
Total income and expense for the period	-	-	-	-	-	-	-	747	-	(7,747)	-	(7,000)	49	(6,951)
Final 2006 dividend declared ^a	-	-	-	-	-	-	-	-	-	-	(15,395)	(15,395)	-	(15,395)
Transfer of reserves ^a	-	(701,691)	(6,171)	707,862	-	-	-	-	-	-	-	-	-	-
Set off against accumulated losses of the Company ^a	-	-	-	(562,939)	-	-	-	-	-	562,938	-	-	-	-
At 30 June 2007	153,947	-	-	377,677#	41,281#	13,557#	10,144#	(4,738)#	28,866#	26,543#	-	647,377	6,748	654,125

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

- * The investment property revaluation reserve represents the attributable revaluation surplus in respect of the leasehold land and buildings, which were reclassified as investment properties in prior years. This revaluation reserve arose while the properties were classified as land and buildings, and therefore is not available to offset subsequent revaluation deficits arising on the investment properties. The revaluation reserve is transferred to retained earnings/set off against accumulated losses only upon the disposal or retirement of the relevant assets and such transfer is not made through the income statement.
- ** Pursuant to the relevant laws and regulations for foreign investment enterprises, a portion of the profit of certain subsidiaries 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. The subsidiaries are not required to effect any further transfer when the amount of the PRC reserve fund reaches 50% of their registered capital. The PRC reserve fund can be used to make good future losses or to increase the capital of the subsidiaries.
- # These reserve accounts comprise the consolidated reserves of HK\$529,326,000 (2007: HK\$493,430,000) in the condensed consolidated balance sheet.
- ^ The reduction of share premium account and capital redemption reserve account, and distribution out of the contributed surplus account of the Company were implemented pursuant to the special/ordinary resolutions of the shareholders of the Company passed on 29 May 2007.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash outflow from operating activities	(46,585)	(1,327)
Net cash outflow from investing activities	(12,368)	(14,343)
Net cash inflow from financing activities	25,696	14,829
Net decrease in cash and cash equivalents	(33,257)	(841)
Cash and cash equivalents at beginning of period	159,520	124,056
Effect of foreign exchange rate changes, net	7,524	383
Cash and cash equivalents at end of period	<u>133,787</u>	<u>123,598</u>
Analysis of balances of cash and cash equivalents		
Cash and bank balances	104,170	94,129
Non-pledged time deposits with original maturity of less than three months when acquired	26,742	29,469
Pledged time deposits with original maturity of less than three months when acquired	<u>2,875</u>	<u>—</u>
Cash and cash equivalents for the purpose of condensed consolidated cash flow statement	133,787	123,598
Time deposits with original maturity of more than three months	<u>4,532</u>	<u>4,535</u>
Cash and cash equivalents for the purpose of condensed consolidated balance sheet	<u>138,319</u>	<u>128,133</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 2007, except for the adoption of 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”)) issued by HKICPA for the first time for the current period’s condensed consolidated interim financial statements:

HK(IFRIC)-Int 11	HKFRS 2 - Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the above new interpretations 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 2007.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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 iron and steel trading and others segment comprises the trading of iron and steel products and securities trading and investment.

Intersegment sales and transfers are transacted at mutually agreed terms.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. Segment information (continued)

The following table presents revenue and profit/(loss) for the Group's business segments for the six months ended 30 June 2008 and 2007.

	Paint products		Property investment		Iron and steel trading and others		Eliminations		Consolidated	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Segment revenue:										
Sales to external customers	320,366	261,708	3,379	2,421	64,931	22,564	—	—	388,676	286,693
Intersegment sales	—	—	2,951	2,605	—	—	(2,951)	(2,605)	—	—
Other income and gains	1,155	1,328	3,783	1,262	3,964	5,240	—	—	8,902	7,830
Total	321,521	263,036	10,113	6,288	68,895	27,804	(2,951)	(2,605)	397,578	294,523
Segment results	5,158	5,769	4,420	2,205	3,949	3,884	3,275	3,153	16,802	15,011
Interest income									847	773
Unallocated expenses									(17,210)	(18,927)
Finance costs									(2,882)	(2,361)
Share of profit of an associate									410	375
Loss before tax									(2,033)	(5,129)
Tax									(3,293)	(2,671)
Loss for the period									(5,326)	(7,800)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. Other income and gains

	Six months ended 30 June	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Bank interest income	847	773
Commission income	3,689	2,915
Others	5,213	4,915
	<u>9,749</u>	<u>8,603</u>

4. Finance costs

	Six months ended 30 June	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Interest on bank loans and other loans wholly repayable within five years	2,004	1,406
Interest on other loans	820	929
Interest on finance leases	58	26
	<u>2,882</u>	<u>2,361</u>

5. Loss before tax

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

	Six months ended 30 June	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Cost of inventories sold	290,676	199,515
Depreciation	8,578	7,105
Write-back of impairment of trade receivables	(113)	(29)
Write-down/(write-back) of inventories to net realisable value	1,651	(1,085)
	<u>1,651</u>	<u>(1,085)</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. Tax

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 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.

	Six months ended 30 June	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Current - Hong Kong	—	368
Current - Elsewhere	<u>3,293</u>	<u>2,303</u>
Tax charge for the period	<u><u>3,293</u></u>	<u><u>2,671</u></u>

The share of tax attributable to an associate amounting to HK\$87,000 (2007: HK\$80,000) is included in "Share of profit of an associate" 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\$5,211,000 (2007: HK\$7,747,000) and the weighted average number of ordinary shares of 1,573,671,000 (2007: 1,539,472,000) in issue during the period.

No diluted loss per share amounts are presented for the six months ended 30 June 2008 and 2007, as there are no diluting events existed during the periods.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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 the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables, other than the amount classified as long term receivable, are non-interest-bearing. The long term receivable represents a trade receivable due for payment in more than twelve months.

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

	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
Neither past due nor impaired	104,602	46,497
Within three months	22,678	51,086
Four to six months	3,303	5,407
Over six months	4,127	3,518
	<u>134,710</u>	<u>106,508</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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:

	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
Within three months	118,796	87,154
Four to six months	3,792	15,143
Over six months	15	1,801
	<u>122,603</u>	<u>104,098</u>

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

10. Related party transactions

(a) *Outstanding balance with related parties:*

	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
Due from an associate	1,249	—
Due to an associate	3,899	—
	<u>5,148</u>	<u>—</u>

As at 30 June 2008, the amounts due to/from associates are unsecured, interest free and have no fixed terms of repayment. The carrying amounts of the amounts due to/from associates approximate to their fair values.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. Related party transactions (continued)

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

	Six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Short term employee benefits	8,207	8,357
Post-employment benefits	430	357
	<u> </u>	<u> </u>
Total compensation paid to key management personnel	8,637	8,714
	<u> </u>	<u> </u>

11. Capital commitments

	30 June	31 December
	2008	2007
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Contracted, but not provided for:		
Purchase of land use rights	6,162	1,866
Capital contribution to subsidiaries	34,311	39,019
Construction of properties	2,964	—
Purchases of items of property, plant and equipment	8,556	2,768
	<u> </u>	<u> </u>
	51,993	43,653
Authorised, but not contracted for:		
Capital contribution to a subsidiary	19,253	19,267
	<u> </u>	<u> </u>
	71,246	62,920
	<u> </u>	<u> </u>

12. Approval of the interim financial report

These condensed consolidated interim financial statements were approved and authorised for issue by the board of directors on 18 September 2008.

INTERIM DIVIDEND

The directors of the Company have resolved not to declare any interim dividend for the year ending 31 December 2008 (2007: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the period under review, the Group's core paint operation continued to have improvement both in terms of revenue and gross profit. Despite the improved performance of our paint operation, the business environment confronted by the Group remained challenging. The increase in raw material and transportation costs, implementation of New China Labour Law and New Corporate Income Tax Law give pressure to the profitability of the Group.

Facing the environment, the Group continued to strengthen the cost control measures by rationalise the production planning in order to optimise the production efficiency. The Group continued to increase its market shares by reinforcing its sales and marketing teams in the PRC.

The Group incurred a loss attributable to the equity holders of the parent company of approximately HK\$5.21 million for the six months ended 30 June 2008, as compared with that of approximately HK\$7.75 million for the last corresponding period. The increase in revenue and gross profit resulted in a decrease in the Group's loss during the period under review.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

BUSINESS REVIEW (continued)

The Group's revenue for the period amounted to approximately HK\$388.68 million, representing an increase of approximately 35.6% when compared with that of last period. The increase was mainly due to the increase in revenue from paint operation and trading of iron and steel. The Group's gross profit for the period was increased by 12.4% when compared with that of last period to approximately HK\$98.00 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 82.4% for the period under review.

Paint products

Revenue for the period amounted to approximately HK\$320.37 million, representing an increase of approximately 22.4% 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\$5.16 million when compared with that of approximately HK\$5.77 million last period.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

BUSINESS REVIEW (continued)

Property investment

Revenue for the period amounted to approximately HK\$3.38 million, representing an increase of approximately 39.6% when compared with that of last period. Operating profit amounted to approximately HK\$4.42 million, compared with that of approximately HK\$2.21 million last period.

During the period under review, the Group has entered into a sale and purchase agreement to acquire a shop in Mong Kok, Kowloon at a consideration of HK\$8.80 million and the transaction was completed in September of the year. The Group intends to use it as a customer services center for the paint operation and hold it as a long term investment.

Iron and steel trading and others

Iron and steel trading

Revenue for the period amounted to approximately HK\$64.93 million, representing an increase of approximately 187.8% when compared with that of last period. Operating profit for the period amounted to approximately HK\$4.50 million, representing an increase of approximately 118.9% when compared with that of last period. The increase in revenue and commission income received during the period resulted in an improvement of overall operating profit during the period under review.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

BUSINESS REVIEW (continued)

Available-for-sale investments

Cemetery project

The Group has an effective 11.5% interest 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 for the cemetery are outdoor grave lots, ordinary columbarium niches and luxury columbarium niches. There are six sales offices established in Hong Kong, Guangzhou, Foshan, Zhaoqing and Sihui for marketing purpose. Promotion campaigns have been launched, including regular tours of the cemetery, blessing ceremonies in the cemetery and participation in the Asia Funeral Expo 2008 in Macau to boost the publicity.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

FINANCIAL REVIEW

Liquidity and financial information

The Group's business operation is generally financed by its internal funding and bank borrowings. Total cash balances amounted to approximately HK\$138.32 million as at 30 June 2008 compared with approximately HK\$171.30 million as at 31 December 2007. Bank and other borrowings amounted to approximately HK\$130.03 million as at 30 June 2008 compared with approximately HK\$102.97 million as at 31 December 2007. 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 2008, approximately HK\$68.28 million (52.5%) is payable within one year, approximately HK\$9.69 million (7.5%) is payable in the second year, approximately HK\$19.00 million (14.6%) is payable in the third to fifth years and the remaining balance of HK\$33.06 million (25.4%) 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 adjusted capital (as defined below) was 20.6% as at 30 June 2008 compared with 16.5% as at 31 December 2007. Liquidity ratio of the Group which is expressed as a percentage of current assets to current liabilities was 1.42 times as at 30 June 2008 compared with 1.57 times as at 31 December 2007.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

FINANCIAL REVIEW (continued)

Equity and net asset value

Shareholders' funds of the Group as at 30 June 2008 was approximately HK\$686.69 million compared with approximately HK\$679.88 million as at 31 December 2007. Adjusted capital of the Group, being shareholders' funds less the unrealised leasehold land and building revaluation reserve and investment property revaluation reserve, as at 30 June 2008 was approximately HK\$631.76 million compared with approximately HK\$624.95 million as at 31 December 2007. Net asset value per share as at 30 June 2008 was HK\$0.44 compared with HK\$0.43 as at 31 December 2007.

Contingent liabilities

Guarantees issued by the Company to bankers to secure general banking facilities granted to various subsidiaries outstanding as at 30 June 2008 amounted to approximately HK\$72.62 million compared with approximately HK\$74.76 million as at 31 December 2007.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

FINANCIAL REVIEW (continued)

Pledge of assets

At 30 June 2008, certain land and buildings, investment properties, trade receivables and cash deposits with aggregate net book value of approximately HK\$419.14 million (31 December 2007: HK\$408.48 million) were pledged to banks as collaterals for bank and other borrowings. At 30 June 2008, total outstanding secured bank and other borrowings amounted to approximately HK\$118.66 million as compared with approximately HK\$99.77 million as at 31 December 2007.

STAFF

As at 30 June 2008, the Group's staff headcount was 1,222 (30 June 2007: 1,093). Staff costs (excluding directors' emoluments) amounted to approximately HK\$55.84 million for the period under review as compared with approximately HK\$39.90 million for the last period. The increase was mainly due to the reinforcement of sales and marketing teams in the PRC. 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.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

OUTLOOK

Looking into the second half of 2008, global economy is still affected by the ongoing credit crunch and inflationary pressure. The business environment is still clouded with uncertainties such as fluctuation of crude oil price, the likelihood of U.S. economic recession and the tightening monetary policy of the PRC to ease the pressure of its inflation. Notwithstanding this, we are confident in the business development in the PRC. With the persistent growth in GDP, the PRC is expected to maintain robust growth momentum. Given the sustainable increase in the general level of disposable income and the proportion of middle to upper-middle income earners, the desire for better living standards and hence the demand for quality paint products for housing decoration continued to grow. In view of enormous growth opportunities in the PRC, the Group is planning to establish a new production plant on our existing land located in Shanghai, the PRC. The production plant is in design stage and the Group expects the production plant to be constructed in 2009. The Group will continue to focus on its paint operation and is committed to becoming a leading manufacturer of high quality green and safe paint products.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

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

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

As at 30 June 2008, 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:

(i) Shares

Name	Note	Capacity	Number of shares				Total	Percentage of issued share capital
			Personal interests	Family interests	Corporate interests	Other interests		
Tsui Tsin Tong	1	Beneficial owner & founder of discretionary trust	12,821,769	—	—	346,231,521	359,053,290	22.81%
Tsui Ho Chuen, Philip	1	Beneficial owner & beneficiary of trust	19,681,414	—	—	346,231,521	365,912,935	23.25%
Tsui Yam Tong, Terry	1	Beneficial owner, beneficiary of trust & interest of controlled corporation	1,162,231	—	346,231,521*	346,231,521*	347,393,752	22.07%

* duplication

**DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES,
UNDERLYING SHARES AND DEBENTURES** (continued)

(ii) Underlying shares

Name	Note	Capacity	Nature of equity derivative (unlisted/physically settled)	Number of underlying shares
Tsui Tsin Tong	2	Founder of discretionary trust	option	98,000,000
Tsui Ho Chuen, Philip	2	Beneficiary of trust	option	98,000,000
Tsui Yam Tong, Terry	2	Beneficiary of trust & interest of controlled corporation	option	98,000,000

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

Notes:

- (1) The 346,231,521 shares were held by Rapid Growth Ltd. ("RGL") as trustee of a discretionary trust of which Mr. Tsui Tsin Tong is the founder and Messrs. Tsui Ho Chuen, Philip and Tsui Yam Tong, Terry are the discretionary beneficiaries. Mr. Tsui Yam Tong, Terry is also the sole director and shareholder of RGL.
- (2) The 98,000,000 shares were owned by Broadsino Investment Company Limited ("Broadsino"). RGL granted an option to Broadsino to sell to RGL all or any part of such shares exercisable at any time during the term of the option. RGL was taken to be interested in these underlying shares under the SFO. By virtue of the interests of Messrs. Tsui Tsin Tong, Tsui Ho Chuen, Philip and Tsui Yam Tong, Terry in RGL as disclosed in note (1) above, each of them was deemed under the SFO to be interested in such underlying shares.

Save as disclosed above, as at 30 June 2008, none of the directors or chief executives of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Part XV of the SFO or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, or which were recorded in the register required to be kept by the Company under Section 352 of the SFO. Nor any of the directors and the chief executives had any interest in, or had been granted any right to subscribe for the securities of the Company and its associated corporations (within the meaning of Part XV of the SFO) or had exercised any such right during the period under review.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 30 June 2008, the register maintained by the Company under Section 336 of the SFO showed that the following persons (other than the directors of the Company) had interests and short positions in the shares and underlying shares of the Company:

Name	Note	Capacity	Number of shares	Number of underlying shares (unlisted/ physically settled equity derivative)	Percentage of issued share capital
10% or more of issued share capital					
RGL	1	Trustee	346,231,521	—	22.00%
	1	Trustee	—	98,000,000	6.22%
Ho Mei Po, Mabel	2	Interest of spouse	365,912,935	—	23.25%
	2	Interest of spouse	—	98,000,000	6.22%
Wang Wing Mu, Amy	3	Interest of spouse	359,053,290	—	22.81%
	3	Interest of spouse	—	98,000,000	6.22%
Ng Shou Ping, Lucilla	4	Interest of spouse	347,393,752	—	22.07%
	4	Interest of spouse	—	98,000,000	6.22%
Chinaculture.com Limited	5	Beneficial owner	195,500,000	—	12.42%
Chuang's China Investments Limited	5	Interest of controlled corporation	195,500,000	—	12.42%
Profit Stability Investments Limited	5	Interest of controlled corporations	195,500,000	—	12.42%
Chuang's Consortium International Limited	5	Interest of controlled corporations	195,500,000	—	12.42%

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

Name	Note	Capacity	Number of shares	Number of underlying shares (unlisted/ physically settled equity derivative)	Percentage of issued share capital
Evergain Holdings Limited	5	Interest of controlled corporations	195,500,000	—	12.42%
Chuang (Chong) Shaw Swee, Alan	5	Interest of controlled corporations	195,500,000	—	12.42%
Chong Ho Pik Yu	5	Interest of spouse	195,500,000	—	12.42%
West Avenue Group Company Limited	6	Beneficial owner	173,006,693	—	10.99%
Tsai Wu Chang	6	Interest of controlled corporation	173,006,693	—	10.99%
Below 10% of issued share capital					
Broadsino	7	Beneficial owner	98,000,000	—	6.22%
Golden Case Limited	8	Security interest in shares	80,000,000	—	5.08%
Cheung Kong Investment Company Limited	8	Interest of controlled corporation	80,000,000	—	5.08%
Cheung Kong (Holdings) Limited	8	Interest of controlled corporations	80,000,000	—	5.08%
Li Ka-Shing Unity Trustee Company Limited	8	Trustee	80,000,000	—	5.08%
Li Ka-Shing Unity Trustee Corporation Limited	8	Trustee & beneficiary of trust	80,000,000	—	5.08%

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

Name	Note	Capacity	Number of shares	Number of underlying shares (unlisted/ physically settled equity derivative)	Percentage of issued share capital
Li Ka-Shing Unity Trustcorp Limited	8	Trustee & beneficiary of trust	80,000,000	—	5.08%
Li Ka-Shing	8	Interest of controlled corporations & founder of discretionary trusts	80,000,000	—	5.08%

Notes:

- (1) The 346,231,521 shares were held by RGL as trustee of a discretionary trust. The interest in 98,000,000 underlying shares was in respect of an option granted by RGL to Broadsino to sell to RGL all or part of such shares owned by Broadsino exercisable at any time during the term of the option. These interests are duplicated in the interests of Messrs. Tsui Tsin Tong, Tsui Ho Chuen, Philip and Tsui Yam Tong, Terry as disclosed under the heading “Directors’ interests and short positions in shares, underlying shares and debentures” above.
- (2) Ms. Ho Mei Po, Mabel is the wife of Mr. Tsui Ho Chuen, Philip and was taken to be interested in 365,912,935 shares and 98,000,000 underlying shares under an equity derivative in which her spouse was interested under the SFO.
- (3) Ms. Wang Wing Mu, Amy is the wife of Mr. Tsui Tsin Tong and was taken to be interested in 359,053,290 shares and 98,000,000 underlying shares under an equity derivative in which her spouse was interested under the SFO.
- (4) Ms. Ng Shou Ping, Lucilla is the wife of Mr. Tsui Yam Tong, Terry and was taken to be interested in 347,393,752 shares and 98,000,000 underlying shares under an equity derivative in which her spouse was interested under the SFO.

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

Notes: (continued)

- (5) The references to the 195,500,000 shares relate to the same block of 195,500,000 shares beneficially interested by Chinaculture.com Limited (“Chinaculture”).

Chinaculture was a wholly-owned subsidiary of Chuang’s China Investments Limited (“Chuang’s China”), which in turn was a 61.36% owned subsidiary of Profit Stability Investments Limited (“Profit Stability”). Chuang’s Consortium International Limited (“Chuang’s Consortium”) held 100% equity interest in Profit Stability. Evergain Holdings Limited (“Evergain”) was interested in 34.86% of the issued capital of Chuang’s Consortium. Mr. Chuang (Chong) Shaw Swee, Alan (“Mr. Chuang”) was interested in 100% of the issued share capital of Evergain. Ms. Chong Ho Pik Yu (“Mrs. Chuang”) is the wife of Mr. Chuang.

Chuang’s China, Profit Stability, Chuang’s Consortium, Evergain, Mr. Chuang and Mrs. Chuang were all deemed under the SFO to be interested in these 195,500,000 shares which were owned by Chinaculture.

- (6) The 173,006,693 shares were beneficially owned by West Avenue Group Company Limited (“West Avenue”). Mr. Tsai Wu Chang was deemed to be interested in these shares under the SFO by virtue of his interest in the entire equity of West Avenue.
- (7) These shares were beneficially owned by Broadsino. Pursuant to an option granted by RGL, Broadsino has a right to sell all or part of these shares to RGL exercisable at any time during the term of the option. This interest is detailed and duplicated with the interests of RGL as shown in note (1) above.
- (8) The references to the 80,000,000 shares relate to the same block of 80,000,000 shares interested by Golden Case Limited (“Golden Case”) by virtue of a security interest in these shares charged by RGL.

Golden Case was a wholly-owned subsidiary of Cheung Kong Investment Company Limited (“CKI”), which in turn was a wholly-owned subsidiary of Cheung Kong (Holdings) Limited (“CKH”).

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

Notes: (continued)

Li Ka-Shing Unity Trustee Company Limited (“TUT1”) as trustee of The Li Ka-Shing Unity Trust, together with certain companies which TUT1 as trustee of The Li Ka-Shing Unity Trust was entitled to exercise or control the exercise of more than one-third of the voting power at their general meetings, held more than one-third of the issued share capital of CKH.

Li Ka-Shing Unity Trustee Corporation Limited (“TDT1”) as trustee of The Li Ka-Shing Unity Discretionary Trust (“DT1”) and Li Ka-Shing Unity Trustcorp Limited (“TDT2”) as trustee of another discretionary trust (“DT2”) both held units in The Li Ka-Shing Unity Trust.

Mr. Li Ka-Shing is the settlor of each of DT1 and DT2 and may be regarded as a founder of each of them for the purpose of the SFO. The entire issued share capital of TUT1, TDT1 and TDT2 are owned by Li Ka-Shing Unity Holdings Limited, of which each of Messrs. Li Ka-Shing, Li Tzar Kuoi, Victor and Li Tzar Kai, Richard is interested in one-third of the issued share capital.

CKI, CKH, TUT1, TDT1, TDT2 and Mr. Li Ka-Shing were all deemed to be interested in these 80,000,000 shares which were taken to be interested in by Golden Case under the SFO.

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 2008 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.

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 (the “Listing Rules”) for the six months ended 30 June 2008, 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 at least 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 (except Mr. Chong Chi Kwan who was appointed on 1 September 2008) 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 2008.

On behalf of the board
Lam Ting Ball, Paul
Chairman

Hong Kong, 18 September 2008

Executive Directors

Tsui Tsin Tong (Honorary Chairman)

Lam Ting Ball, Paul (Chairman)

Tsui Ho Chuen, Philip (Executive Deputy Chairman)

Tsui Yam Tong, Terry (Managing Director)

Chong Chi Kwan

Non-executive Directors

Hung Ting Ho, Richard

Zhang Yulin

Ko Sheung Chi

Independent Non-executive Directors

Sir David Akers-Jones (Deputy Chairman)

Danny T Wong

Chan Wa Shek

Steven Chow

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